

# ONTARIO INTERNATIONAL AIRPORT AUTHORITY

## FINANCE & AUDIT COMMITTEE SPECIAL MEETING AGENDA



**OCTOBER 23, 2024, AT 10:00 A.M.**

Ontario International Airport Authority Administration Offices  
1923 East Avion Street, Room 100, Ontario, CA 91761

### STANDING COMMITTEE MEMBERS

**RONALD O. LOVERIDGE**

Chair

**ALAN WAPNER**

Member

## WELCOME TO A MEETING OF THE ONTARIO INTERNATIONAL AIRPORT AUTHORITY

- All documents for public review are on file at the Ontario International Airport Administration Offices located at 1923 E. Avion Street, Ontario, CA 91761.
- Anyone wishing to speak during public comment, or on an agenda item, will be required to fill out a Request to Address Card (blue slip). Blue slips must be turned in prior to public comment beginning or before an agenda item is taken up. The Secretary/Assistant Secretary will not accept blue slips after that time.
- You may submit public comments by e-mail to [publiccomment@flyontario.com](mailto:publiccomment@flyontario.com) no later than 4:00 p.m. the day before the meeting. Please identify the Agenda item you wish to address in your comments. All e-mail comments will be included in the meeting record.
- Comments will be limited to 3 minutes. Speakers will be alerted when their time is up and no further comments will be permitted. Speakers are then to return to their seats.
- In accordance with State Law, remarks during public comment are to be limited to subjects within the Authority's jurisdiction. Remarks on other agenda items will be limited to those items.
- Remarks from those seated or standing in the back of the Board Room will not be permitted. All those wishing to speak, including Commissioners and Staff, need to be recognized by the Authority President before speaking.
- Sign language interpreters, communication access real-time transcription, assistive listening devices, or other auxiliary aids and/or services may be provided upon request. To ensure availability, you are advised to make your request at least 72 hours prior to the meeting you wish to attend. Due to difficulties in securing Sign Language Interpreters, five or more business days' notice is strongly recommended. Any members of the public who require special assistance or a reasonable accommodation to participate may contact the Board Clerk at (909) 544-5307 or [clerk@flyontario.com](mailto:clerk@flyontario.com).

1. **CALL TO ORDER**

2. **ROLL CALL**

Loveridge (Chair), Wapner (Member)

3. **PUBLIC COMMENTS**

*The Public Comment portion of the Committee meeting is limited to a maximum of 3 minutes for each Public Comment. Under provisions of the Brown Act, the Committee is prohibited from taking action on oral requests.*

4. **COMMITTEE AGENDA REVIEW/ANNOUNCEMENTS**

*Staff will go over all updated materials and correspondence received after the Agenda was distributed to ensure Committee Members have received them.*

5. **COMMITTEE ACTION/DISCUSSION ITEMS**

A. **CAPITAL ASSET DEFINITIONS AND GUIDELINES**

Status update on Capital Asset Definitions and Guidelines

B. **TREASURY MANAGEMENT SERVICE AGREEMENT**

Status update on a new bank agreement.

C. **FISCAL YEAR 2023/2024 BUDGET UPDATE**

Status update of Fiscal Year 2023/2024 Budget and closeout report

D. **UPDATE ON EXTERNAL AUDIT**

Status Update on the external audit

E. **UPDATE ON INTERNAL AUDIT**

Status Update on the internal audit.

6. **COMMITTEE MEMBER COMMENTS AND REQUESTS FOR FUTURE AGENDA ITEMS**

Ronald O. Loveridge, Chair

Alan D. Wapner, Member

7. **ADJOURNMENT**

**AFFIDAVIT OF POSTING**

I, Norma I. Alley, MMC, Board Clerk of the Ontario International Airport Authority (OIAA), do hereby declare under penalty of perjury that the foregoing agenda has been posted at the administrative office and on the OIAA website in compliance to the Brown Act.

Date Posted: October 22, 2024

Posted Prior To: 10:00 A.M.

Signature:

  
\_\_\_\_\_  
Norma I. Alley, MMC  
Ontario International Airport Authority Board Clerk



**MEETING DATE:** OCTOBER 23, 2024

**SUBJECT:** ONTARIO INTERNATIONAL AIRPORT AUTHORITY INTERNAL AUDIT PROGRAM UPDATE

**RELEVANT STRATEGIC OBJECTIVE:**  Invest in ONT  Master the Basics  Plan for the Future

**RECOMMENDED ACTION(S):** Receive Ontario International Airport Authority Capital Asset Definitions and Guidelines.

**FISCAL IMPACT SUMMARY:** N/A

**BACKGROUND:** The Ontario International Airport Authority has developed definitions and guidelines to consider when accounting for the capital assets owned, leased or controlled by the OIAA. These capital assets include but are not limited to land, building, equipment and infrastructure necessary for the operation and maintenance of the airport. The Definitions and Guidelines seeks to define capital assets by type, and provide guidance for issues such as capitalization thresholds, acquisitions, interest and depreciation, and disposition. These definitions and guidelines will be utilized for accounting and financial purposes, and will standardize the treatment of capital assets while aligning the OIAA's process with industry best practices.

**PROCUREMENT:** N/A

**CEQA COMPLIANCE AND LAND USE APPROVALS:** N/A

**STAFFING IMPACT (# OF POSITIONS):** N/A

**IMPACT ON OPERATIONS:** N/A

**SCHEDULE:** N/A

**ATTACHMENTS:**

1. Capital Asset Definitions and Guidelines

**STAFF REVIEW AND APPROVAL:**

Originator:	Celeste Heinonen, Chief Financial Officer
Originating Dept.:	Finance
Director Review:	N/A
Chief Review:	<i>Celeste Heinonen</i>
CFO Review:	<i>Celeste Heinonen</i>
CEO Approval:	<i>Atif Elkadi</i>

This Agenda Report has been reviewed by OIAA General Counsel.

The Agenda Report references the terms and conditions of the recommended actions and request for approval. Any document(s) referred to herein, which are not attached or posted online, may be reviewed prior to or following scheduled Commission meetings in the Office of the Clerk of the Board. Hours to review are between 8:30 a.m. and 4:30 p.m., Monday through Friday, although these hours and review procedures may be modified. In that case, the documents may be requested by email at [clerk@flyontario.com](mailto:clerk@flyontario.com).

## Capital Asset Definitions and Guidelines for the Ontario International Airport Authority (“the OIAA”)

**1. Purpose** The Capital Asset Definition and Guidelines for the OIAA establishes guidelines and procedures for the financial management of capital assets

**2. Scope** These definitions and guidelines apply to all capital assets owned, leased, or controlled by the OIAA, including but not limited to land, buildings, equipment, and infrastructure necessary for the operation and maintenance of the airport.

### 3. Definitions

- **Capital Asset:** Tangible or intangible asset with a useful life exceeding one year and a minimum threshold value of \$25,000 (Capital assets purchased with federal grants or FAA funding shall have a minimum threshold of \$5,000)
  - **Asset Types:**
    - **Movable Assets:** Includes but not limited to: vehicles, machinery, Information Technology and other equipment, works of art and historical treasures, other tangible and intangible assets
    - **Building Assets:** Includes but not limited to: Buildings, building improvements, roads, parking lots, garage structures, aprons, runways, improvements other than buildings such as fences, retaining walls, irrigation systems, utility infrastructure, etc)
    - **Land:** Real estate property owned by the OIAA and not subject to depreciation
- **Capitalization Threshold:** Minimum value above which capital assets are capitalized and recorded in the OIAA's financial records.
  - As described by asset type, above
  - Items valued below the \$25,000 threshold, but purchased in aggregate above the amount of \$100,000, shall be considered a Capital Asset
- **Depreciation:** Systematic allocation of the cost of a capital asset over its useful life to reflect its consumption or wear and tear.
- **Disposition:** Permanent removal or sale of a capital asset from the OIAA's asset register.

### 4. Acquisition and Capitalization

- All capital asset acquisitions shall adhere to established procurement policies and procedures.
- Capital assets shall be capitalized and recorded at cost, including all direct costs necessary to bring the asset into its intended use.
  - Costs included in Capital Assets should include but are not limited to: Design, A&E, construction, Environmental Reporting, CEQA & NEPA costs
  - Costs associated with the general maintenance of the Airport assets should not be considered capitalized costs. Generally these costs are expenses as part of the Operating and Maintenance Fund and can be distinguished by either contract type or lack of design; or at the discretion of the Capital Development and Finance Divisions
- Donated or contributed assets will be recorded at the estimated fair market value at the time of donation, using available market data, input from procurement staff, or where justified, an independent appraisal of the item. Appraisals should only be used where an asset is presumed to have substantial value.

- The capitalization thresholds for different types of assets shall be reviewed periodically and adjusted as necessary.

## 5. Asset Management

- A centralized asset register shall be maintained to record details of all capital assets, including acquisition date, cost, useful life, depreciation method, and current condition.
- Assets purchased by the OIAA that do not meet Capital requirements will be expensed as part of the Operating and Maintenance Fund and registered in the OIAA's ERP system and tracked separately

## 6. Interest and Depreciation

- Interest costs incurred during the construction phase of projects will be capitalized as part of the cost of the fixed asset. Any interest costs specifically excluded from capitalization will be treated as period expenses.
- Depreciation of capital assets shall be calculated systematically and recorded in the financial statements to reflect the consumption over their estimated useful lives using the following straight-line depreciation methods over the following terms:
  - **Movable Assets**
    - Vehicles, Machinery, Furniture: 5 years
    - IT Infrastructure: 3 years
  - **Building Assets:**
    - **Buildings:** 25 years
    - **Runways (original construction):** 25 years
    - **Roadway:** 25 years
    - **Garage Structures:** 25 years
    - **Utility Infrastructure:** 25 years
    - **Other Airfield, Parking Lot or Roadway Paving:** Straight-line depreciation over 10 years
  - **Land:** Not subject to Depreciation

## 7. Disposition

- Assets that have reached full depreciation shall no longer be recorded on the financial records.
- Physical disposal methods may include sale, donation, trade-in, or recycling, with proceeds from sales recorded appropriately in the financial records.

## 8. Implementation

- These definitions and guidelines shall prospectively impact all Capital Assets put into service beginning July 1, 2024.



**MEETING DATE:** OCTOBER 23, 2024

**SUBJECT:** ONTARIO INTERNATIONAL AIRPORT AUTHORITY INTERNAL AUDIT PROGRAM UPDATE

**RELEVANT STRATEGIC OBJECTIVE:**  Invest in ONT  Master the Basics  Plan for the Future

**RECOMMENDED ACTION(S):** Receive Ontario International Airport Authority Internal Audit Program Update.

**FISCAL IMPACT SUMMARY:** N/A

**BACKGROUND:** The Ontario International Airport Authority has retained Moss Adams to serve as the designated Internal Auditor. The Internal Auditors conduct assessments focused on risks, internal controls, efficiency and effectiveness, compliance and best practices under the appropriate industry standards. Moss Adams puts together an Annual Internal Audit Program that focuses on key projects determined by the Board of Directors as well as Executive Staff. Moss Adams has provided an update on the current status of projects, as well as a Recommended Internal Audit Plan for Fiscal Year 2025 for the Finance and Audit Committee's consideration.

**PROCUREMENT:** N/A

**CEQA COMPLIANCE AND LAND USE APPROVALS:** N/A

**STAFFING IMPACT (# OF POSITIONS):** N/A

**IMPACT ON OPERATIONS:** N/A

**SCHEDULE:** N/A

**ATTACHMENTS:**

1. Internal Audit Status Update and Recommended Program (deck).
2. Parking Follow-up Contract Audit Final Report.
3. Concessionaire Reviews:
  - a. Swissport dba Aspire Lounges Final Report
  - b. JDDA dba Chick Fil-A Final Report
  - c. Subway Final Report
  - d. SSP Final Report
  - e. Hudson Final Report
  - f. Dunkin Terminal 2 Final Report
  - g. Dunkin Terminal 4 Final Report

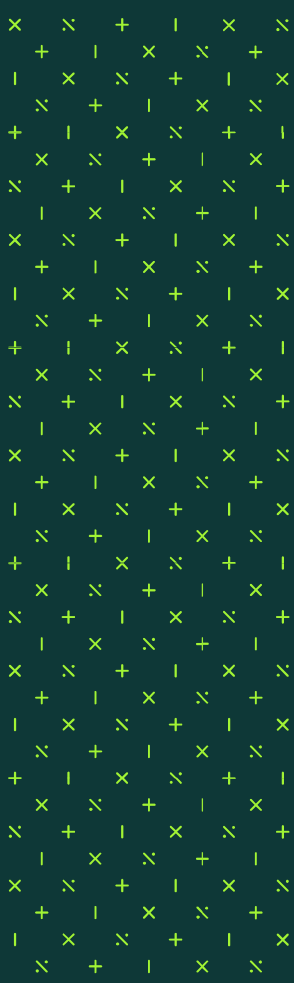
**STAFF REVIEW AND APPROVAL:**

Originator:	<u>Celeste Heinonen, Chief Financial Officer</u>
Originating Dept.:	<u>Finance</u>
Director Review:	<u><i>Celeste Heinonen</i></u>
Chief Review:	<u><i>Celeste Heinonen</i></u>
CFO Review:	<u><i>Celeste Heinonen</i></u>
CEO Approval:	<u><i>Atif Elkadi</i></u>

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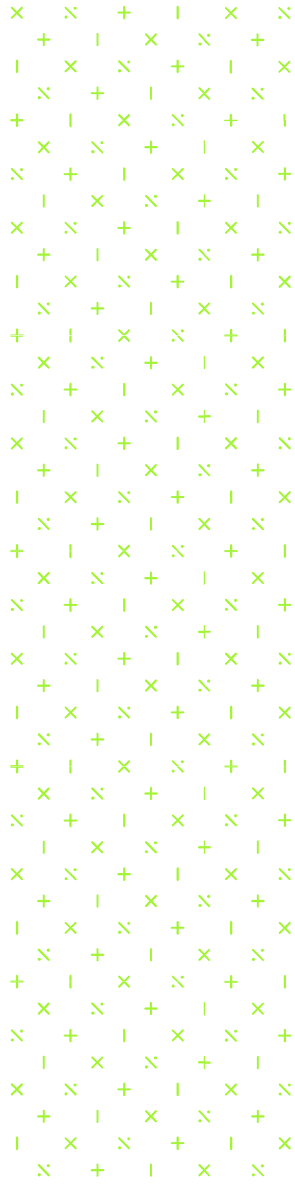




# Ontario International Airport Authority Internal Audit Program Update

Finance and Audit Committee Meeting

October 23, 2024



# Internal Audit Program Update and Plan

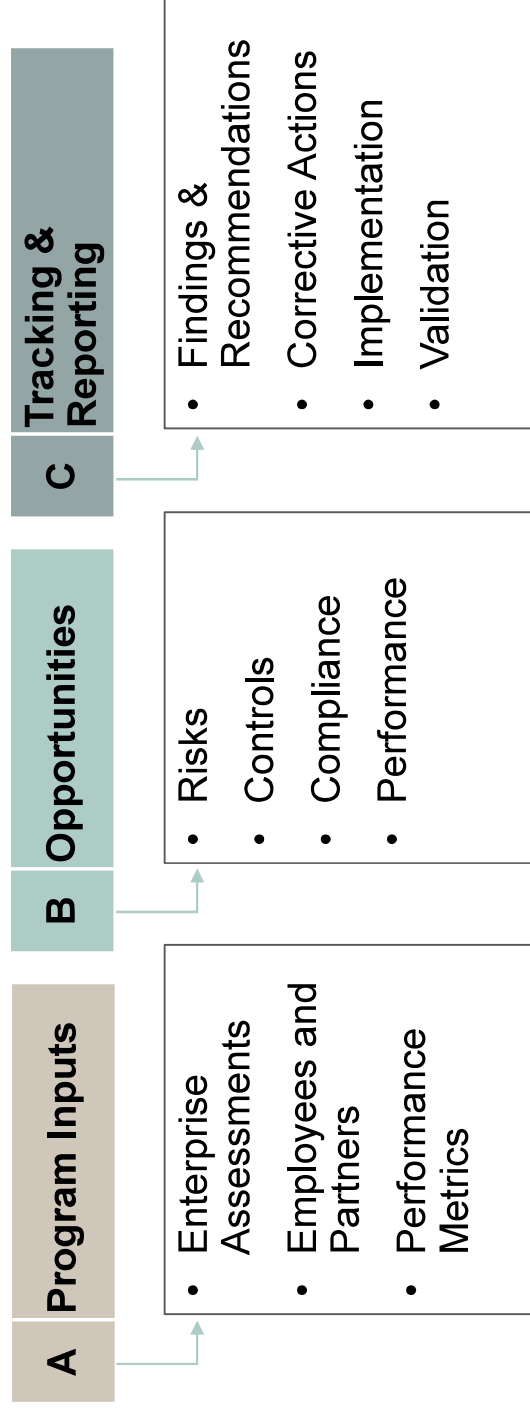
OIAA: October 2024 Finance and Audit Committee

# Internal Audit Overview

- OIAA retained Moss Adams to serve as the designated Internal Auditor and conduct projects focusing on:
  - Risks
  - Internal controls
  - Efficiency and effectiveness
  - Best practices
  - Compliance
- Work is being completed under appropriate industry standards (IIA, GAGAS, AICPA)



# Internal Audit Program Components



# Internal Audit Program Approach

University Internal Audit Annual Plan  
Functions Components Plan

Internal Audit Plan

Risks

Internal Controls

Compliance

Performance

Accounting and financial reporting, asset management, capital programs, compliance, economics and funding, fraud, governance, human resources, internal controls, maintenance and operations, management, operations and service delivery, organization and staffing, processes and procedures, procurement, security & safety, risk management, and technology



# Program Status

Project	Status
Rental Car Contract Follow-up Audit	Complete
P-Card Follow-Up Audit	Postponed
Asset & Inventory Management Audit	Started Summer 2023
Concessionaire Testing: <ul style="list-style-type: none"> <li>• SSP</li> <li>• Hudson</li> <li>• Dunkin T2</li> <li>• Dunkin T4</li> <li>• Subway</li> <li>• Swissport/Aspire</li> <li>• JDDA/Chick-Fil-A</li> </ul>	Complete and ongoing
Ongoing internal audit services	Ongoing

# Recommended Internal Audit Plan



FY2025			
Project	Timing	Pricing	
Lamar Advertising Contract Audit	October – January	\$40,000	
KDG Contract Audit	October - January	\$35,000	
Audit Finding Resolution Tracking	October – June	\$10,000	
Concessionaire Testing (5 contracts)	October – June	\$37,500	
Purchasing Audit	January – April	\$50,000	
Financial Compliance Review	January – April	\$50,000	
Ongoing Program Management	July – June	\$10,000	



# Questions?

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*Proprietary & Confidential*

FINAL REPORT

# Ontario International Airport Authority

## 2024 PARKING AUDIT FOLLOW-UP

August 14, 2024

Moss Adams LLP  
999 Third Avenue, Suite 2800  
Seattle, WA 98104  
(206) 302-6500



This report is intended for the internal use of the Ontario International Airport Authority, and may not be provided to, used, or relied upon by any third parties.

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# I. EXECUTIVE SUMMARY

## A. BACKGROUND

In 2022, the Ontario International Airport Authority (the Authority or OIAA) engaged Moss Adams LLP (Moss Adams us, or we) to complete an audit of Parking Concepts, Inc. (the Concessionaire or PCI), the Authority's contracted on-airport parking servicer, for the period of March 25, 2021 through June 30, 2022.

The goal of the audit was to validate that the Concessionaire had carried out the following responsibilities as defined by the contract agreement (the Contract):

- Operating with appropriate revenue controls (managing cash and credit card transactions and refunds) and remitting the appropriate revenue to the Authority
- Accurately submitting appropriate costs for reimbursement
- Properly invoicing the Authority for Employee Parking (active monthly parkers)
- Adequately fulfilling reporting requirements for key performance indicators (KPIs) and other components
- Maintaining and managing vehicles and other equipment inventories

The 2022 audit resulted in six findings that indicated insufficient financial controls, reporting, and contract compliance. In October 2023, the Authority requested Moss Adams conduct a follow-up audit on the Concessionaire to review progress on the findings and help inform a potential Contract amendment.

## B. SCOPE AND METHODOLOGY

This follow-up assessment was conducted between December 2023 and August 2024 and is intended to provide the Authority with updates on the status of the six recommendations provided from the 2022 audit report issued on July 21, 2023.

We conducted our review in four phases:

1. **Project Initiation and Management:** We created our audit plan by identifying employees to interview and documents to review, and ensured regular reporting channels were established to communicate project status and facilitate overall project management.
2. **Fact Finding:** We interviewed key personnel, reviewed documentation, and performed detailed testing to obtain the most currently available information and insights.
  - **Interviews:** We spoke with Concessionaire leadership and relevant OIAA personnel to understand what processes were revised in response to the prior audit.
  - **Document Review:** We reviewed documents including accounting, financial, and transaction reports. To gauge improved adherence to contractual terms, we traced reported revenue for July 2023, August 2023, September 2023, and October 2023 to transaction detail reports.
  - **Detailed Testing:** We supplemented our revenue reconciliations by recalculating reported revenue amounts based on the transaction data provided.



- **Best Practice Research:** We assessed current reporting practices against best practices in the parking management industry and conducted research to provide additional guidance to improve reporting quality to the Authority.
3. **Analysis:** We evaluated the extent to which PCI and the Authority addressed prior findings based on the information gathered from our fact-finding phase.
  4. **Reporting:** We concluded our work by reviewing draft findings and recommendations with the Authority and the Concessionaire to validate facts and confirm the status of the recommendations.

## C. COMMENDATIONS

The Concessionaire has many commendable attributes that we noted during our interviews and document review. Examples include:

- **Willingness to Collaborate:** The Concessionaire demonstrated its dedication to the partnership with the Authority through regular communication with OIAA. Concessionaire leadership continues to actively engage in conversation with the Authority as the two parties discuss the upcoming Contract amendment.
- **Openness to Change and Adapt:** The Concessionaire actively participated in discussions for improving operations. The Concessionaire entertained the idea of absorbing additional responsibilities if it achieved simplicity in parking operations.

We would like to thank the Authority and Concessionaire team for their participation in this additional assessment.

## D. SUMMARY OF RESULTS

The table below summarizes the prior audit findings, status of the issue, and additional recommendations for PCI and the Authority's consideration. PCI reviewed the results below and did not have any further responses.

PRIOR FINDINGS, STATUS, AND RECOMMENDATIONS	
Revenue Remitted and Revenue Controls	
1.	<p><b>Finding</b></p> <p>The Concessionaire did not prepare and submit a Certified Annual Financial Statement Report to the Authority as required by Article 3.52.C of the Contract.</p> <p><b>Status</b></p> <p>In Progress: The Concessionaire provided an independent auditor's report opining on its statement of gross receipts; however, the Contract requires that the certified annual financial statement incorporates all business transacted at the Authority.</p> <p><b>Additional Recommendations</b></p> <p>A. The Authority and Concessionaire should collectively determine whether currently provided reporting is sufficient for the purpose of the Contract article. If satisfactory, both parties should document the agreement within a memo and issue a Contract amendment that reflects these expectations.</p> <p>B. If current reporting practices are deemed inadequate, the Concessionaire should incorporate additional elements of a certified annual financial statement report to its independent auditor's review of its statement of</p>



PRIOR FINDINGS, STATUS, AND RECOMMENDATIONS	
	gross receipts, such as expenditure reviews and management's discussion and analysis.
2.	<p><b>Finding</b></p> <p>Based on our review of monthly revenue reporting for August 2021, October 2021, and January 2022, it appears that PCI underreported revenue. Additionally, it appears that PCI does not have complete revenue transaction reporting to substantiate the full amount of revenue reported to the Authority.</p>
	<p><b>Status</b></p> <p>In Progress: The Concessionaire has improved revenue reporting; however, some variances between revenue collections and parking transaction data remain and are reportedly tied to promise-to-pay transactions.</p>
	<p><b>Additional Recommendation</b></p> <p>The Concessionaire should continue refining its revenue reporting processes and system to further reduce reporting variances.</p>
<b>Monthly Employee Parking Reporting</b>	
3.	<p><b>Finding</b></p> <p>Neither the Concessionaire, credit card transaction company, nor the Authority reported monthly parking revenue to actual monthly parking transactions. A list of monthly parkers, broken down by rate and amount paid, was not maintained by the Concessionaire.</p>
	<p><b>Status</b></p> <p>In Progress: The Authority transitioned monthly parking credit card transaction processing to a third party and directly receives related revenue; however, the Concessionaire does not have access to this information to monitor monthly parkers.</p>
	<p><b>Additional Recommendation</b></p> <p>The Authority and the Concessionaire should reach a mutual understanding over a defined methodology for monitoring and reporting monthly parking revenue, which may include fully delegating the Concessionaire to be the liaison with the revenue system administrator.</p>
<b>Reimbursed Expenses Compliance</b>	
4.	<p><b>Finding</b></p> <p>The Concessionaire included \$258,756.17 of unallowable maintenance (per Article 2.9) and utilities expenses (per Article 2.8) within monthly expense reporting that were reimbursed by the Authority. The methodology for determining the allowability of additional expenses such as depreciation was not defined. Additionally, we were unable to review and verify the labor expenditures submitted to the Authority.</p>
	<p><b>Status</b></p> <p>In Progress: The Authority and Concessionaire have not yet completed a Contract amendment to clarify allowable and unallowable expenditures.</p>
	<p><b>Additional Recommendations</b></p> <p>A. The Authority should continue to collaborate with the Concessionaire to determine and document expenses that are allowed to be reimbursed.            B. The Authority should ensure that all deviations from the language in the Contract and its amendments are documented in a memo that is retained.</p>
<b>Maintenance of Vehicles and Equipment</b>	
5.	<p><b>Finding</b></p> <p>The Concessionaire does not maintain a record for vehicle and equipment maintenance as required by Article 3.52 of the Contract.</p>



PRIOR FINDINGS, STATUS, AND RECOMMENDATIONS	
	<p><b>Status</b> In Progress: The Authority and Concessionaire have not yet completed a Contract amendment to clarify vehicle and equipment monitoring processes and reporting.</p>
	<p><b>Additional Recommendation</b> The Authority should continue to collaborate with the Concessionaire and document clear parameters for required maintenance reporting in the amendment to the Contract, which can include an equipment identifier, date of maintenance, work order details, the location, and the person conducting the work.</p>
<b>Contractual Performance Reports</b>	
	<p><b>Finding</b> PCI did not provide reporting on all required KPIs as required by Exhibits L and M of the Contract.</p>
	<p><b>Status</b> In Progress: The Authority and Concessionaire have not yet completed a Contract amendment to redefine KPIs that should be monitored and reported.</p>
6.	<p><b>Additional Recommendations</b></p> <ul style="list-style-type: none"><li>A. The Authority should continue its collaboration with the Concessionaire to review the KPI included in Exhibits L and M for appropriateness and applicability to the Authority's parking program.</li><li>B. Once a mutual understanding is reached, the Authority should ensure that the intentions of monthly reporting are clearly incorporated into the amendment to the Contract.</li></ul>





## II. RESULTS

Based on the input gathered from discussions with the Concessionaire, document review, and detailed testing, we evaluated progress toward resolving previously issued findings and compliance with Contract terms to the extent possible. Results are presented by Contract area category with a status update. Where applicable, we prepared additional recommendations.

Throughout our review, the Authority has been drafting an amendment to the Contract with the Concessionaire. The amendment is intended to provide clarity to reporting requirements stated in Exhibits L and M as well as additional guidance over the categorization and reimbursement of allowed expenditures and vehicle and equipment maintenance. As a result of the ongoing discussions and pending amendment, previously issued findings 4 through 6 (unallowable expenditures, vehicle and equipment monitoring, and monthly reporting compliance) remain open for this current review. PCI reviewed the results below and did not have any further responses.

It is important to note that due to the narrow-focused nature of our testing, the results are not generalizable and should not be projected to draw conclusions about the degree to which any findings exist. Instead, results from our testing serve as a basis to state that findings may exist within the contractual relationship between the Authority and the Concessionaire.

### A. REVENUE REMITTED AND REVENUE CONTROLS

#### Annual Reporting

1.	<b>Prior Finding</b>	The Concessionaire did not prepare and submit a Certified Annual Financial Statement Report to the Authority as required by Article 3.52.C of the Contract.
	<b>Status</b>	In Progress: The Concessionaire provided an independent auditor's report opining on its statement of gross receipts; however, the Contract requires that the certified annual financial statement incorporates all business transacted at the Authority.
	<b>Additional Recommendations</b>	<p>A. The Authority and Concessionaire should collectively determine whether currently provided reporting is sufficient for the purpose of the Contract article. If satisfactory, both parties should document the agreement within a memo and issue a Contract amendment that reflects these expectations.</p> <p>B. If current reporting practices are deemed inadequate, the Concessionaire should incorporate additional elements of a certified annual financial statement report to its independent auditor's review of its statement of gross receipts, such as expenditure reviews and management's discussion and analysis.</p>



In our prior audit report, we noted that the Concessionaire did not fulfill its responsibility of submitting an annual report serving as a certified annual financial statement to the Authority. As a result, our audit was limited due to our inability to adequately establish parameters for revenue remittance testing. The Concessionaire responded to the finding indicating its intention to submit an annual audit report timely moving forward. During our current period of review, the Concessionaire provided an independent auditor's report opining on its statement of gross receipts; however, it appears it did not cover rent, other payments due, and all business transacted at the Authority as stipulated in Article 3.52.C of the Contract. According to Article 3.52.C of the Contract:

"Concessionaire shall submit to the OIAA...for the approval of the OIAA, an Annual Report for each Agreement Year throughout the Term of this Agreement...Said Annual Report shall be prepared by an independent CPA or by Concessionaire's Chief Financial Officer and shall be in a format and in detail satisfactory to the OIAA. This Annual Report shall serve as a certified annual financial statement setting forth all business transacted at the Airport by Concessionaire under the terms of this Agreement during the preceding Agreement Year, and excluding any other business transacted by Concessionaire. Such Annual Report shall include, but not necessarily be limited to, Concessionaire's Gross Revenues, Rent and other payments due to the OIAA, the CPA's audit or by Concessionaire's Chief Financial Officer and examination of source documents from which Monthly Reports are based, and a certified opinion as to the accuracy of Concessionaire's submitted Monthly Reports."

An audit of revenues is an important piece of an annual financial statement report but does not appear to satisfy the Contract terms. A comprehensive annual report, as required in the Contract, is useful for documenting important events, such as parking rate changes and difficulties in updating software and systems. This type of audit also provides key stakeholders with appropriate and complete data to better inform decision-making. In general, a certified annual financial statement includes the following elements:

- **Auditor's Report:** An independent auditor provides an opinion on the fairness of the financial statements and whether they comply with generally accepted accounting principles.
- **Balance Sheet:** The organization discloses its financial position at a specific point in time, typically at fiscal year-end.
- **Income Statement:** The organization describes its revenues and expenses over the year or other specified period of time.
- **Cash Flow Statement:** The organization presents the inflows and outflows of cash.
- **Notes to the Financial Statements:** The organization provides additional information regarding its accounting policies, significant transactions, and other relevant details.
- **Management's Discussion and Analysis:** This section of the financial statement report provides stakeholders with management's analysis of the financial results and other factors that may have affected the organization's performance.

If the Authority is satisfied by the currently available auditor's report reviewing the Concessionaire's statement of gross receipts, this should be documented in a memo to the Concessionaire, and the updated requirements for an independent audit report should be included within any future Concessionaire amendments. Having this determination documented is required to clarify expectations between the Concessionaire and the Authority to ensure PCI can fully comply with the terms and conditions of the Contract.



**Authority Response**

The Concessionaire should provide an audited statement of all business transacted at the airport.

## Parking Revenue

<b>2.</b>	<b>Prior Finding</b>	Based on our review of monthly revenue reporting for August 2021, October 2021, and January 2022, it appears that PCI underreported revenue. Additionally, it appears that PCI does not have complete revenue transaction reporting to substantiate the full amount of revenue reported to the Authority.
	<b>Status</b>	In Progress: The Concessionaire has improved revenue reporting; however, some variances between revenue collections and parking transaction data remain and are reportedly tied to promise-to-pay transactions.
	<b>Additional Recommendation</b>	The Concessionaire should continue refining its revenue reporting processes and system to eliminate any reporting variances.

In our previous review of three sampled months, we identified an underreporting of revenue to the Authority totaling \$121,795 based on the documentation provided by PCI. For each of the three months sampled, we reviewed the management package reports detailing the monthly revenue per parking lot and reconciled total charges to the monthly revenue reported. Our work was limited because the Concessionaire did not have an annual certified financial statement available to verify the completeness and accuracy of reported revenue. The table below summarizes the variances identified during our prior review.

Reporting Month	Reported Revenue	Supported Revenue	Variance
August 2021	\$2,402,477	\$2,405,666	\$3,189
October 2021	\$2,164,655	\$2,242,662	\$78,007
January 2022	\$1,398,868	\$1,439,467	\$40,599
<b>Total Underreported Revenue</b>	<b>\$5,966,000</b>	<b>\$6,087,795</b>	<b>\$121,795</b>

In response to our report, the Concessionaire indicated improvements in parking revenue reporting have been made. Since the issuance of the prior report, the Concessionaire has identified and fixed reporting formula errors and noted a decrease of variances in daily audits. Additionally, the Concessionaire reported challenges in revenue reporting during June 2023, alongside a parking rate change.

During our current review, we noted smaller variances in revenue reporting. The Operations Manager at the Concessionaire indicated that some variances were related to the issuance of promise-to-pay transactions; however, additional reporting for the promise-to-pay transactions was not readily available for review. Absent additional tracking and reporting, we are unable to verify the source of variance noted in the revenue reporting.



We summarize the variances identified between revenue to be collected and parking transactions supported as well as in parking revenue deposited against revenues available to be deposited (i.e., revenue to have been collected less promise-to-pays) in the table below. Please see Appendix A for additional details of our current review of revenues.



Reporting Month	Revenue to Be Collected [A]	Supported Revenue to Collect [B]	Variance Between Revenue to Collect and Supported Revenue to Collect [C] = [A] - [B]	Actual Revenue Collected [D]	Reported Revenue Deposited [E]	Variance Between Revenue Collected and Deposited [F] = [D] - [E]	Variance Between Revenue to Be Collected and Revenue Collected [G] = [A] - [F]
July 2023	\$2,798,113	\$2,797,951	(\$162)	\$2,795,058	\$2,795,076	\$18	\$3,055
August 2023	\$2,887,201	\$2,887,118	(\$83)	\$2,885,124	\$2,885,076	(\$48)	\$2,077
September 2023	\$2,969,851	\$2,969,851	-	\$2,956,401	\$2,956,414	\$13	\$13,450
October 2023	\$3,180,150	\$3,180,130	(\$20)	\$3,176,796	\$3,176,805	\$9	\$3,354
<b>Total Net Variance</b>			<b>(\$265)</b>			<b>(\$8)</b>	

[1] Revenues collected and deposited account for transaction revenue, under rings, and overrings.

[2] Per inquiry with PCI, it appears promise-to-pay amounts are the primary source for this variance, as no collections were made from the customer.

It appears that the Concessionaire has improved its revenue reporting and should continue its efforts to further reduce variances between both revenue transaction details and revenue reported as well as revenue collected and revenue deposited.

**Authority Response**

The Concessionaire continues to make improvements in its reporting and the Authority has noticed as such. More refinements are being made to continue to reduce the variances.



## B. MONTHLY EMPLOYEE PARKING REPORTING

### Monthly Parking Tag Revenue

3.	<b>Prior Finding</b>	Neither the Concessionaire, credit card transaction company, nor the Authority reported monthly parking revenue to actual monthly parking transactions. A list of monthly parkers, broken down by rate and amount paid, was not maintained.
	<b>Status</b>	In Progress: The Authority transitioned monthly parking credit card transaction processing to a third party and directly receives related revenue; however, the Concessionaire does not have access to this information to monitor monthly parkers.
	<b>Additional Recommendation</b>	The Authority and the Concessionaire should reach a mutual understanding over a defined methodology for monitoring and reporting monthly parking revenue, which may include fully delegating the Concessionaire to be the liaison with the revenue system administrator.

In our prior review of monthly parking revenue across three sampled months, we identified \$31,379 of “Office (Hang tags)” revenue, which the Concessionaire indicated accounts for in-office monthly parking revenue, excluding online transactions. We attempted to verify the “Office (Hang tags)” revenue reported within the management package summary table to the active parker transaction logs provided by the Concessionaire and against the rates stated in the Ontario International Airport Employee Parking program.

The Concessionaire indicated that employee prepayments, revenue timing, and a lack of visibility over all online sales revenues prevent PCI from adequately monitoring, reconciling, and reporting monthly parking revenue. We received confirmation that neither the Authority, the Concessionaire, nor the third-party payment processor tracks detailed monthly parker information that could facilitate detailed review. Because we were also unable to reconcile the available reporting of active parkers by rate code to all active parkers reports, we concluded the monthly parking revenue reporting practices at the time constituted a finding, and recommended the Concessionaire provide the Authority with daily documentation of employee parking transactions and monthly payments, as required for the Ontario International Airport Employee Parking program. In addition, we recommended that the Authority update its policies and procedures to clearly define the methodology of tracking and reporting online monthly parking revenue and transactions and outline the responsible party for the reporting, what should be reported, the frequency of reporting, and how it is to be reported.

The Authority indicated that, effective April 2023:

“A new company will be processing the monthly parking credit card transactions (these will no longer go through Authorize.net). All of the parking transaction would still feed into our bank account directly, but we would no longer have any visibility on any monthly parking charges. It is [our] understanding that PCI would be able to obtain this information for reconciliation purposes beginning with monthly parking charges in April.”



During our current review, the Concessionaire emphasized that monthly employee parking remained largely handled by the Authority. Monthly employee parking tags are purchased through the Integra PARCS system, and the Authority receives the payments directly. Because of this structure, the Concessionaire does not have visibility over the transactions, and its ability to report monthly parking revenue is limited by what reporting they receive from the Authority. Additionally, the Concessionaire highlighted that it does not have the ability to verify whether payments are collected, nor when refunds are issued. These barriers impact the Concessionaire from properly monitoring monthly parking revenue.

Both parties continue to discuss the process to monitor monthly parking. The Concessionaire indicated a willingness to absorb the responsibility of the monthly parking revenue processing, suggesting that it would likely simplify the process and increase the quality of its revenue monitoring and reporting.

The Authority should continue to collaborate with the Concessionaire to determine a methodology for tracking and reporting all monthly parking revenue, including online transactions. Both parties should consider the potential of transitioning the monthly parking monitoring responsibilities solely to the Concessionaire to reduce complexity in the reporting process. Once developed, the arrangement should be documented through an update to policies and procedures and clearly outline the responsible reporting party, what should be reported, the frequency of reporting, and how it is to be reported.

<b>Authority Response</b>	My hope is to schedule a meeting in mid-June with PCI and our Finance Team to transition all monthly employee parking to PCI starting July 1.
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## C. REIMBURSED EXPENSES COMPLIANCE

### Unallowable Expenditures

<b>4.</b>	<b>Prior Finding</b>	The Concessionaire included \$258,756.17 of unallowable maintenance (per Article 2.9) and utilities expenses (per Article 2.8) within monthly expense reporting that were reimbursed by the Authority. The methodology for determining the allowability of additional expenses such as depreciation was not defined. Additionally, we were unable to review and verify the labor expenditures submitted to the Authority.
	<b>Status</b>	In Progress: The Authority and Concessionaire have not yet completed a Contract amendment to clarify allowable and unallowable expenditures.
	<b>Additional Recommendations</b>	<ul style="list-style-type: none"> <li>A. The Authority should continue to collaborate with the Concessionaire to determine and document expenses that are allowed to be reimbursed.</li> <li>B. The Authority should ensure that all deviations from the language in the Contract and its amendments are documented in a memo that is retained.</li> </ul>



## ***Prior Audit Findings***

### **Utilities and Maintenance**

In our previous report, we noted the Concessionaire submitted \$258,756.17 of potentially unallowable utility and maintenance expenditures to the Authority across the three sampled months' reporting packages. From our audit procedures, we identified costs for telecommunication services (phone lines and internet); water, electricity, and waste management; auto detailing; and various equipment rentals and purchases relating to sanitation and vehicle repairs, which we identified to be unallowable according to Articles 2.8 and 2.9 of the Contract. Both parties acknowledged that the submission and reimbursement of these costs have been grandfathered in after informal or verbal agreements with prior parking service management, and that there is no documentation to support the grandfathering or approval of the expenditure types.

### **Depreciation Expenses**

We also identified that the Authority and the Concessionaire do not have a defined methodology for determining the allowability of depreciation expenses. Depreciation is typically a material, recurring cost that can be a useful indicator for other areas of operation and expenses, such as preventative or deferred maintenance and overall asset management. Depreciation can be calculated by a variety of methods, which can be employed alongside strategic and fiscal policies. Without a defined framework to guide how depreciation expenses should be calculated and allowed for reimbursements, the Authority and Concessionaire may encounter disagreements over depreciation timing and dispute calculations of expenses and income.

### **Labor Expenses**

We were unable to review and verify the labor expenditures in our prior audit because of the lack of certified annual financial statements.

## ***Current Conditions***

As noted previously, the Authority and the Concessionaire are continuing discussions about allowable and unallowable expenditures in support of the Contract amendment. The Authority anticipates that the amendment will address the challenges in determining what expenses are allowed to be reimbursed by establishing more clear guidance. In lieu of a finalized amendment, this finding remains open.

We recommend the Authority continue to collaborate with the Concessionaire to develop a mutual understanding for allowable expenditures and implement additional expenditure review procedures to help detect expenditures that are inappropriately submitted for reimbursement. In making updates to the Contract through an amendment, more concise language to better define allowable and unallowable expenditure categories will prevent future disagreements. Due to the volume and variety of potential expenditures, the Authority should establish an expenditure matrix that includes expenditure type, description, allowability, and methodology of reimbursement to facilitate its reviews. Additionally, the methodology should include a process for documenting, evaluating, and approving new cost types that may arise that were not included within the updated amendment.





**Authority Response**

The Contract amendment has been completed and it's in the review process and we hope to have this finalized soon.

## D. MAINTENANCE OF VEHICLES AND EQUIPMENT

### Vehicle and Equipment Monitoring

5.	<b>Prior Finding</b>	The Concessionaire does not maintain a record for vehicle and equipment maintenance as required by Article 3.52 of the Contract.
	<b>Status</b>	In Progress: The Authority and Concessionaire have not yet completed a Contract amendment to clarify vehicle and equipment monitoring processes and reporting.
	<b>Additional Recommendation</b>	The Authority should continue to collaborate with the Concessionaire and document clear parameters for required maintenance reporting in the amendment to the Contract, which can include an equipment identifier, date of maintenance, work order details, the location, and the person conducting the work.

In our prior audit, we identified the practices surrounding vehicle and equipment monitoring and maintenance did not comply with Contract language. Exhibit M of the Contract requires the Concessionaire to maintain and submit an adequate set of records for maintenance monthly.

The Concessionaire had provided a Hub Service Log that included date, time in, time out, total hours, and the name and signature of a technician. We noted that the log did not include components that are typically captured under best practices, such as an identifier for the equipment or maintenance item (model or serial number), the location at which the work order was completed, and a description of what work was done. Because the available reporting was limited, we concluded that the Concessionaire did not appear to maintain adequate logs and reporting for the maintenance of vehicles and equipment for review by the Authority.

In our current review, we noted that the Concessionaire has created a monthly tracker to log all vehicle and equipment costs incurred in that month. We reviewed the log and verified that the listed expenses agreed with invoice support provided. However, the amounts listed on the trackers did not agree to the reported expenses submitted to the Authority (see below). Additionally, we were unable to determine whether the cost reported on the monthly invoice to the Authority constituted all vehicle and equipment costs, as the expenditures were not reviewed by an independent auditor.

Month	Reported Equipment Repairs and Maintenance Expense	Reported Shuttle Vehicle Repairs and Maintenance Expense	Monthly Repairs and Maintenance per Tracker	Variance
	[A]	[B]	[C]	[A] + [B] - [C]
July 2023	\$15,519.08	\$1,540	\$1,514.51	\$15,544.57



Month	Reported Equipment Repairs and Maintenance Expense	Reported Shuttle Vehicle Repairs and Maintenance Expense	Monthly Repairs and Maintenance per Tracker	Variance
	[A]	[B]	[C]	[A] + [B] - [C]
August 2023	\$18,757.29	\$2,180	-	\$20,937.29
September 2023	\$18,651.30	\$34,685.50	-	\$53,336.8
October 2023	Not provided	Not provided	\$312.50	Not reviewed

As noted above, the Authority and the Concessionaire have initialized discussions about monitoring and reporting expectations for vehicle and equipment maintenance in support of the Contract amendment. The Authority anticipates that the amendment will address the challenges in this area. In lieu of a finalized amendment, this finding remains open.

**Authority Response**

The Contract amendment is in the review process awaiting for final approvals.

## D. CONTRACTUAL PERFORMANCE REPORTS

### Monthly Reporting Compliance

6.	<b>Prior Finding</b>	PCI did not provide reporting on all required KPIs as required by Exhibits L and M of the Contract.
	<b>Status</b>	In Progress: The Authority and Concessionaire have not yet completed a Contract amendment to redefine KPIs that should be monitored and reported.
	<b>Additional Recommendations</b>	<p>A. The Authority should continue its collaboration with the Concessionaire to review the KPI included in Exhibits L and M for appropriateness and applicability to the Authority's parking program.</p> <p>B. Once a mutual understanding is reached, the Authority should ensure that the intentions of monthly reporting are clearly incorporated into the amendment to the Contract.</p>

In our previous review of the three sampled months, we documented the instances of the Concessionaire's KPIs reporting provided to the Authority, as required by the Contract. For each of the sampled months, we reviewed the available reporting documents and verified whether the KPIs stated within Exhibits L and M of the Contract were addressed. Overall, we found that the majority of KPIs were not included in reporting documents.



The tables below summarize the results of our current period review.

Exhibit L – Key Performance Indicators	Jul 2023	Aug 2023	Sept 2023	Oct 2023
Monthly performance against budgeted gross turnover, net turnover, and net income.	Yes	Yes	Yes	Yes
Financials should also include performance year on year on gross turnover, net turnover, and net income.	Yes	Yes	Yes	Yes
The annual business plan and budget submission has to be submitted to the OIAA by March 30 for the next fiscal year beginning July 1.	N/A <sup>[1]</sup>	N/A <sup>[1]</sup>	N/A <sup>[1]</sup>	N/A <sup>[1]</sup>
Transaction Counts: Arrivals – Count of transactions where the customer has arrived in the car park and may or may not have left.	Yes	Yes	Yes	Yes
Average Daily Rate (ADR) – Revenue divided by days stayed.	No	No	No	No
Average Length of Stay (LOS) – Total duration in days of all business divided by the number of transactions.	No	No	No	No
Average Transaction Value (ATV) – Revenue divided by transactions.	Yes	Yes	Yes	Yes
Transaction Counts: Exits – Count of transactions after the guest has entered then exited the car park.	Yes	Yes	Yes	Yes
Revenue – Measured by the day.	Yes	Yes	Yes	Yes
Revenue per Available Space Day (RevPASD) – Revenue divided by the number of spaces available expressed as daily, weekly, or monthly.	No	No	No	No
Available Space Hour (RevPASH) – Calculated at the hourly level to account for one space being used multiple times in one day. Shown at daily level versus hourly level to make them more meaningful.	No	No	No	No
Occupancy – Measure of number of cars in the car park expressed as an average, at peak, or at a specific time of day.	Yes	Yes	Yes	Yes
Sold Units – One sold unit is for 24 hours of occupancy for one car expressed in decimals to the one-hundredth place (i.e., 10 days and 6 hours = 10.25), to include instances when a guest left partway through a day or entered and left at any time on the same day.	No	No	No	No
Transactions – A customer stay in a car park, not accounting for car park occupancy. A car that stays for 15 minutes and one that stays for five days are each one transaction.	Yes	Yes	Yes	Yes



Exhibit L – Key Performance Indicators	Jul 2023	Aug 2023	Sept 2023	Oct 2023
Measuring Online Parking: Traffic – Number of website visits.	N/A <sup>[2]</sup>	N/A <sup>[2]</sup>	N/A <sup>[2]</sup>	N/A <sup>[2]</sup>
Measuring Online Parking: Conversion Rate – The percentage of visitors to your website who actually purchased.	N/A <sup>[2]</sup>	N/A <sup>[2]</sup>	N/A <sup>[2]</sup>	N/A <sup>[2]</sup>
Measuring Online Parking: Return on Ad Spend – How much money did you get back on your web search spend.	N/A <sup>[2]</sup>	N/A <sup>[2]</sup>	N/A <sup>[2]</sup>	N/A <sup>[2]</sup>
Measuring Online Parking – Data that assesses the effectiveness of your strategy, tactics, and promotions.	N/A <sup>[2]</sup>	N/A <sup>[2]</sup>	N/A <sup>[2]</sup>	N/A <sup>[2]</sup>
Measuring online parking – Average daily rate.	N/A <sup>[2]</sup>	N/A <sup>[2]</sup>	N/A <sup>[2]</sup>	N/A <sup>[2]</sup>
Measuring Online Parking – Average occupancy rate.	N/A <sup>[2]</sup>	N/A <sup>[2]</sup>	N/A <sup>[2]</sup>	N/A <sup>[2]</sup>
Measuring Online Parking – Monthly revenue performance versus budget and previous year.	N/A <sup>[2]</sup>	N/A <sup>[2]</sup>	N/A <sup>[2]</sup>	N/A <sup>[2]</sup>
Includes the budget, staffing patterns, operational changes, marketing, and advertising plans for the airport parking services in a manner that will entice the public to use the parking facilities and services.	No	No	No	No
Concessionaire will ensure that there is 100% full automation for entry, payment, and exiting the car parks within six months of commencing Contract.	Yes <sup>[3]</sup>	Yes <sup>[3]</sup>	Yes <sup>[3]</sup>	Yes <sup>[3]</sup>
Concessionaire will have a fully audible SOP for all missing and/or voided car park tickets and be 100% responsible and accountable for all car park services and valet parking refunds.	Yes	Yes	Yes	Yes
Concessionaire can operate a promise-to-pay policy, on the understanding that the Concessionaire is 100% accountable for ensuring all payments are received in full. The OIAA will not have any responsibility or involvement in any aspect of promise-to-pay commitments.	No	No	No	No
Concessionaire will be responsible for establishing, operating, managing, and promoting an airport valet service and related additional services, including car washing, servicing options, and car detailing, that can be aligned to the valet service within three months of commencing the Contract. The valet service will commence on the day of commencing operations (subject to PAX numbers).	N/A <sup>[4]</sup>	N/A <sup>[4]</sup>	N/A <sup>[4]</sup>	N/A <sup>[4]</sup>
Concessionaire will ensure all car park facilities and services are fully ADA-compliant and maintained as per code for the duration of the Contract.	Yes <sup>[5]</sup>	Yes <sup>[5]</sup>	Yes <sup>[5]</sup>	Yes <sup>[5]</sup>
Concessionaire shall integrate an autonomous vehicle parking program by location to enhance OIAA's Clean Energy Program.	N/A <sup>[6]</sup>	N/A <sup>[6]</sup>	N/A <sup>[6]</sup>	N/A <sup>[6]</sup>



Exhibit L – Key Performance Indicators	Jul 2023	Aug 2023	Sept 2023	Oct 2023
Concessionaire shall be responsible for the automated integration of airport tenant parking.	Yes	Yes	Yes	Yes
Concessionaire shall furnish its employees with uniforms that have been approved by OIAA.	Yes	Yes	Yes	Yes
Concessionaire shall be responsible for all locations' lighting and janitorial requirements within all parking operations. Concessionaire will monitor the landscaping and revert to the OIAA if action is required by the third-party provider.	Yes <sup>[7]</sup>	Yes <sup>[7]</sup>	Yes <sup>[7]</sup>	Yes <sup>[7]</sup>
Concessionaire shall implement a regular parking lot sweeping program.	Yes	Yes	Yes	Yes
Concessionaire shall be responsible for the PARCS system, including the necessary upgrades, preventative maintenance, repair, and training of employees in the operation and procedures for the use of the PARCS equipment system.	Yes <sup>[8]</sup>	Yes <sup>[8]</sup>	Yes <sup>[8]</sup>	Yes <sup>[8]</sup>
Concessionaire shall be responsible for managing and ensuring that an auditable record is kept of all customer parking refunds.	Yes	Yes	Yes	Yes
Concessionaire shall address concerns, complaints, and issues related to the parking concession service in a timely manner.	Yes <sup>[9]</sup>	Yes <sup>[9]</sup>	Yes <sup>[9]</sup>	Yes <sup>[9]</sup>
Concessionaire shall produce monthly and annual financial reports on all revenues and expenditures. All expense reports will be subject to OIAA audit and will require detailed invoice and other supporting documentation.	Yes	Yes	Yes	Yes

[1] This is completed on an annual basis via a series of in-person meetings between PCI and OIAA. Documentation of the prior year and current year process was provided.

[2] Online metrics are not tracked or accessible by PCI and therefore cannot be provided to the OIAA team that oversees the parking Contract. OIAA's marketing team handles all online metric tracking.

[3] All sites are currently fully automated; however, per discussion with PCI and OIAA, this was not initially completed within the six-month timeframe.

[4] Valet parking was closed during the Covid-19 pandemic. Per OIAA, there are no current plans to bring this service back.

[5] PCI reports all facility issues to OIAA via the daily ambassador report. Additionally, any ADA compliance issues are also reported to OIAA via exception-based reporting. Most ADA compliance issues are the responsibility of OIAA as they may rise to the level of a capital project.

[6] Integration of any autonomous vehicles would be at the discretion of the City. OIAA and PCI discuss autonomous vehicles as the topic arises.

[7] PCI reports this to OIAA as part of the daily Ambassador reports; however, landscaping, janitorial, lighting changes, etc. are the responsibility of OIAA and its third-party servicers.

[8] Issues or problems with the PARCS system are reported on the daily Ambassador reports; however, due to the critical nature of the PARCS system, PCI notifies OIAA via email immediately after an issue is noted.

[9] Customer complaints are handled directly by PCI via email and phone. In rare cases, the complaint is escalated to OIAA for assistance. While complaints are resolved in a timely manner, complaints are not tracked and reported.

The following table summarizes our current review of Parking Operations Reports for four sampled months.



Exhibit M – Parking Operations Reports	Jul 2023	Aug 2023	Sept 2023	Oct 2023
Daily collection by pay station/shift/cashier/lot	Yes	Yes	Yes	Yes
Transaction summary	Yes	Yes	Yes	Yes
Daily validation and exception transaction log	Yes	Yes	Yes	Yes
Daily summary by lot	Yes	Yes	Yes	Yes
Parking tax by lot	Yes	Yes	Yes	Yes
Breakdown of the rates charged by lot	Yes	Yes	Yes	Yes
Performance against budget and previous year	No	No	No	No
Average transaction value and average stay duration by facility by month vs. previous year	Yes	Yes	Yes	Yes
Average yield per space, by location vs. budget, and year on year	No	No	No	No
Monthly activity summary	Yes	Yes	Yes	Yes
Monthly customer complaints regarding service, acknowledged within 48 hours along with resolution summary	No	No	No	No
Monthly record of all customer parking refunds	Yes <sup>[1]</sup>	Yes <sup>[1]</sup>	Yes <sup>[1]</sup>	Yes <sup>[1]</sup>
An executive summary dashboard based on agreed KPIs	No	No	No	No
Other financial and maintenance reports Concessionaire believes would be beneficial for OIAA executive reference	No	No	No	No
Damaged vehicle claims	Yes	Yes	Yes	Yes
Complete monthly profit and loss (P&L) report noting the following: current month, previous month, same month vs. previous year, and annual to date data	No	No	No	No

[1] PCI tracks and reports this daily, but not on a monthly basis.

The majority of the KPIs defined in the Contract continue to be excluded from the Concessionaire's monthly reporting documents. The Concessionaire appears to be out of compliance with the KPI reporting requirements. However, as indicated by the Authority's and the Concessionaire's response to our prior audit, simplifying the KPIs required to be reported may be mutually desired.

Upon revisiting the monthly reporting requirements during the current review, both the Authority and the Concessionaire acknowledged that Exhibits L and M are obsolete, and a majority of the KPIs do not meaningfully contribute to parking operation management. A less complex reporting structure can improve the efficacy of reporting for both the Concessionaire and the Authority. Reporting requirements can be condensed into fewer complete reports to provide updates on key agreed-upon



elements. For example, reporting requirements could be reduced to include detailed and summary daily, weekly, and monthly transaction, vacancy, and utilization information for grouped operations like Parking Operations, Security and Personnel programs, eCommerce, and Special Initiative Programs.

We conducted additional market research to identify KPIs typically captured within best performance monitoring practices in parking operations to benchmark against current practices. Please refer to Appendix B for additional details of our comparison between current and best reporting practices and considerations for the revision of reporting requirements within the amendment to the Contract. A simple reporting structure is key for successful long-term operations management. As previously noted, the Authority and the Concessionaire have started discussions regarding monthly performance reporting requirements ahead of the development of the Contract amendment. While the Authority anticipates the amendment to address the challenges in this area, in lieu of a finalized amendment, this finding remains open.

**Authority  
Response**

The Contract amendment is in the review process awaiting for final approvals.

## APPENDIX A: PARKING REVENUE VARIANCES

We summarized the parking revenue variances identified during our review in the following tables. See Finding No. 2 for further information.

Parking Lots	July 2023									
	Net Validation Revenue	Over	Under	Revenue to be Collected	Revenue Supported	Variance	PTP	Collected Revenue Supported	Revenue Deposited	Variance in Deposit
				[A]						
Lot 2	\$816,015.00	\$116.00	\$868.00	\$816,767.00	\$816,719.00	(\$48.00)	\$1,391.00	\$815,376.00	\$815,376.00	-
Lot 3	\$398,267.00	\$255.00	\$1,750.00	\$399,762.00	\$399,738.00	(\$24.00)	\$648.00	\$399,114.00	\$399,144.00	\$30.00
Lot 4	\$1,194,980.00	\$247.00	\$1,274.00	\$1,196,007.00	\$1,196,007.00	-	\$836.00	\$1,195,171.00	\$1,195,249.00	\$78.00
Lot 5	-	-	-	-	-	-	-	-	-	-
Lot 6	\$382,625.00	-	\$2,952.00	\$385,577.00	\$385,487.00	(\$90.00)	\$180.00	\$385,397.00	\$385,307.00	(\$90.00)
<b>Total</b>						<b>(\$162.00)</b>				<b>\$18.00</b>

Parking Lots	August 2023									
	Net Validation Revenue	Over	Under	Revenue to be Collected	Revenue Supported	Variance	PTP	Collected Revenue Supported	Revenue Deposited	Variance in Deposit
				[A]				[A] - [B]		
Lot 2	\$814,406.00	\$142.00	\$1,189.00	\$815,453.00	\$815,464.00	\$11.00	\$1,177.00	\$814,276.00	\$814,296.00	\$20.00
Lot 3	\$399,438.00	\$226.00	\$3,180.00	\$402,392.00	\$402,352.00	(\$40.00)	\$220.00	\$402,172.00	\$402,132.00	(\$40.00)
Lot 4	\$1,306,667.00	\$314.00	\$1,653.00	\$1,308,006.00	\$1,308,006.00	-	\$374.00	\$1,307,632.00	\$1,307,658.00	\$26.00
Lot 5	-	-	-	-	-	-	-	-	-	-
Lot 6	\$358,140.00	-	\$3,210.00	\$361,350.00	\$361,296.00	(\$54.00)	\$306.00	\$361,044.00	\$360,990.00	(\$54.00)
<b>Total</b>						<b>(\$83.00)</b>				<b>(\$48.00)</b>

Parking Lots	September 2023									
	Net Validation Revenue	Over	Under	Revenue to be Collected	Revenue Supported	Variance	PTP	Collected Revenue Supported	Revenue Deposited	Variance in Deposit
				[A]				[A] - [B]		
Lot 2	\$862,540.00	\$103.00	\$2,923.00	\$865,360.00	\$865,360.00	-	\$12,092.00	\$853,268.00	\$853,275.00	\$7.00
Lot 3	\$411,772.00	\$340.00	\$1,484.00	\$412,916.00	\$412,916.00	-	\$40.00	\$412,876.00	\$412,876.00	-
Lot 4	\$1,299,195.00	\$292.00	\$645.00	\$1,299,548.00	\$1,299,548.00	-	\$1,228.00	\$1,298,320.00	\$1,298,326.00	\$6.00





September 2023										
Parking Lots	Net Validation Revenue	Over	Under	Revenue to Be Collected	Revenue Supported	Variance	PTP	Collected Revenue Supported	Revenue Deposited	Variance in Deposit
				[A]			[B]	[A] - [B]		
Lot 5	-	-	-	-	-	-	-	-	-	-
Lot 6	\$389,021.00	-	\$3,006.00	\$392,027.00	\$392,027.00	-	\$90.00	\$391,937.00	\$391,937.00	-
<b>Total</b>						-				<b>\$13.00</b>

October 2023										
Parking Lots	Net Validation Revenue	Over	Under	Revenue to Be Collected	Revenue Supported	Variance	PTP	Collected Revenue Supported	Revenue Deposited	Variance in Deposit
				[A]			[B]	[A] - [B]		
Lot 2	\$901,204.00	\$537.00	\$2,005.00	\$902,672.00	\$902,672.00	-	\$1,068.00	\$901,604.00	\$901,610.00	\$6.00
Lot 3	\$441,658.00	\$340.00	\$1,480.00	\$442,798.00	\$442,778.00	(\$20.00)	\$420.00	\$442,378.00	\$442,375.00	(\$3.00)
Lot 4	\$1,421,664.00	\$929.00	\$1,323.00	\$1,422,058.00	\$1,422,058.00	-	\$1,830.00	\$1,420,228.00	\$1,420,234.00	\$6.00
Lot 5	-	-	-	-	-	-	-	-	-	-
Lot 6	\$410,588.00	-	\$2,034.00	\$412,622.00	\$412,622.00	-	\$36.00	\$412,586.00	\$412,586.00	-
<b>Total</b>						(\$20.00)				<b>\$9.00</b>



## APPENDIX B: BEST KPI REPORTING PRACTICES

We present the following parking operations reporting practices for PCI's consideration and potential incorporation into current reporting. See Finding No. 6 for additional information.

Best Practice KPI	Objective	Source	Captured by Current KPIs	Notes
<b>Safety</b>	Measure and track instances of claims, injuries, and/or crime per 10,000 (or other unit) parking transactions.	Federal Transit Administration Research Report February 2020	No	Perceived and actual safety of the parking operation can impact parker decision and risk and cost considerations.
<b>Parking Spaces per FTE</b>	Track a parking space-to-FTE ratio as a monitoring measure to allow benchmarking against similar parking operations across organization types within the industry.	International Parking and Mobility Institute (IPMI) November 2017 Parking Analytics and Industry Snapshot	No, but readily available	Calculating per-FTE ratios can provide additional indication of areas for potential expense reduction through more efficient resource allocation.
<b>Revenue per FTE</b>	Track a revenue-to-FTE ratio as a monitoring measure to allow benchmarking against similar parking operations across organization types within the industry.	International Parking and Mobility Institute (IPMI) November 2017 Parking Analytics and Industry Snapshot	No, but readily available	Calculating per-FTE ratios can provide additional indication of areas for potential expense reduction.
<b>Citations per Space</b>	Measure total parking citations issued within parking operations.	International Parking and Mobility Institute (IPMI) November 2017 Parking Analytics and Industry Snapshot	No	Tracking citations per space can help highlight area- or lot-specific considerations that can direct pricing initiatives and incentives.
<b>Occupancy Rate</b>	Measure the percentage of available parking spaces that are occupied at any given time.	Moss Adams Consulting	No	This measurement can broaden oversight of operations and could highlight macroenvironment characteristics, such as competition, seasonal travel demand, and a need for a tailored pricing structure.



Best Practice KPI	Objective	Source	Captured by Current KPIs	Notes
<b>Revenue per Space</b>	Measure the average revenue generated per parking space over a specific period of time.	Moss Adams Consulting	No	Parking spots that deviate in revenue generation rate may require additional maintenance and could indicate negative influences from lesser visible obstacles, such as tight maneuverability requirements.
<b>Turnover Rate</b>	Measure the number of times a parking space is used in a day, week, or month.	Moss Adams Consulting	No	Considerations should include whether it is desirable for the space to have a short or long turnover. For example, spots further from the structure entrance may be optimal for months-long parking options.
<b>Customer Satisfaction</b>	Measure how satisfied customers are with the parking experience, including factors such as ease of finding a space, cleanliness, and customer service.	Moss Adams Consulting	No	Carefully defined KPIs in this category can vastly improve monitoring capability. To the extent possible, customer feedback should be direct and focused on a key area to yield actionable recourse.
<b>Maintenance and Repair Costs</b>	Measure the cost of maintaining and repairing parking facilities, including lighting, signage, and payment equipment.	Moss Adams Consulting	Yes	This may be impacted by the upcoming amendment.
<b>Staff Productivity</b>	Measure the efficiency of parking staff in managing parking facilities, including ticketing, enforcement, and customer service.	Moss Adams Consulting	No	Measurements can be related to timeliness, operational consistency and accuracy, and adherence to policies and procedures.
<b>Compliance Rate</b>	Measure the percentage of vehicles that comply with parking regulations, such as time limits and payment requirements.	Moss Adams Consulting	No	This KPI can provide additional insight for policy enforcement service and business needs.
<b>Average Parking Duration</b>	Measure the average length of time vehicles are parked in a facility.	Moss Adams Consulting	No	This KPI can help operators understand parking demand and plan for future capacity needs.



Best Practice KPI	Objective	Source	Captured by Current KPIs	Notes
<b>Revenue Growth</b>	Measure the increase in revenue generated by parking operations over time.	Moss Adams Consulting	No, but readily available	PCI includes a month-to-prior-month comparison in its income statement but does not currently generate reports specifically to monitor revenue growth. However, as it captures multiple dimensions of revenue, the available data can altogether be used to produce a growth monitoring report.
<b>Cost per Space</b>	Measure the cost of providing parking facilities per parking space and by location or lot, including land, construction, and maintenance costs.	Moss Adams Consulting	No, but readily available	Various aspects of cost are reported monthly, including maintenance service costs, IT and physical infrastructure costs, payroll costs, and employee benefit and pension costs.
<b>Parking Demand by Hour</b>	Measure the volume of parking demand by hour of the day.	Moss Adams Consulting	No	This can provide additional information to optimize operating hours and staffing levels.
<b>Revenue by Payment Method</b>	Track the percentage of parking revenue generated by online, card, and cash payments.	Moss Adams Consulting	Yes	This can help assess the effectiveness of options and give strategic direction for future improvements to and investment in operational infrastructure.



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*Proprietary & Confidential*

FINAL REPORT

# Ontario International Airport Authority

**SWISSPORT USA, INC.**

August 2, 2024

Moss Adams LLP  
999 Third Avenue, Suite 2800  
Seattle, WA 98104  
(206) 302-6500



This report is intended for the internal use of the Ontario International Airport Authority, and may not be provided to, used, or relied upon by any third parties.

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# I. EXECUTIVE SUMMARY

## A. SUMMARY OF RESULTS

Moss Adams LLP (we, Moss Adams) conducted a compliance audit of the Ontario International Airport Authority's (the OIAA, the Authority) contract with Swissport USA, Inc. d/b/a Aspire Airport Lounge (the Concessionaire) for food concessions at the Ontario International Airport during the period of October 1 through October 31, 2023. The goal of the audit was to validate that the Concessionaire had carried out their responsibilities as defined by the original agreement named ONT-20-10019 (the Contract).

The following table summarizes the extent to which the Concessionaire was noncompliant with contract requirements according to the procedures performed. The following findings and recommendations are necessary to ensure future contract compliance, as detailed further in Section III.

FINDINGS AND RECOMMENDATIONS		
Monthly Deliverables		Risk Rating
<b>Parking Fees</b>		
<b>1 Finding</b>	The Concessionaire has past-due Parking Fees. Additionally, Parking Fee amounts are not clearly defined within the Contract.	Medium to High
<b>Recommendation</b>	As required by Section 3.68 of the Contract, the Concessionaire should remit \$4,850 for past-due Parking Fees. In addition, OIAA should evaluate controls to ensure timely payments in the future and should consider providing more definitive Parking Fee amounts within the Contract for transparency and accountability purposes.	
<b>Monthly Report</b>		
<b>2 Finding</b>	Although an electronic submission was provided, the Concessionaire did not deliver a written copy of the October 2023 Monthly Report.	Low
<b>Recommendation</b>	As required by Section 3.49.A of the Contract, in addition to electronic submission, the Concessionaire should deliver a written copy of the Monthly Report to the OIAA at the address specified in Section 2.7. The OIAA should consider enforcing the applicable late fee per Contract Section 3.49.B.	
Annual Deliverables		Risk Rating
<b>Annual Report</b>		
<b>3 Finding</b>	The Concessionaire did not submit Annual Reports for Agreement Years 1 or 2.	High to Critical
<b>Recommendation</b>	As required by Section 3.49.C of the Contract, the Concessionaire should submit Annual Reports containing a certified opinion as to the accuracy of the submitted Monthly Reports, in a format and	



FINDINGS AND RECOMMENDATIONS		
	detail satisfactory to the OIAA. The OIAA should consider enforcing the applicable late fee per Contract Section 3.49.D.	
<b>Concessionaire's Audit (Annual Audit)</b>		
<b>4 Finding</b>	The Concessionaire did not submit Concessionaire's Audits (Annual Audits) for Agreement Years 1 or 2.	High to Critical
<b>Recommendation</b>	The Concessionaire should submit a Concessionaire's Audit (Annual Audit) for Years 1 and 2 that complies with the contractual requirements outlined in Section 3.9.A of the Contract. The OIAA should consider performing the audit directly as allowable per Contract.	
<b>Annual Reconciliation and Adjustment of (Paid) Rent</b>		
<b>5 Finding</b>	The Concessionaire did not complete the Annual Reconciliation and Adjustment of (Paid) Rent for Agreement Year 2 (year ending November 2023) and did not remit the underpayment of \$633 for Agreement Year 1.	High
<b>Recommendation</b>	As required by Section 2.3.C of the Contract, the Concessionaire should reconcile the amount of Rent paid with that owed under the terms of the Contract for Agreement Year 2 and remit the \$633 underpayment of rent outlined in their Annual Reconciliation and Adjustment of (Paid) Rent for Agreement Year 1.	
<b>Annual Readjustment of Security Deposit</b>		
<b>6 Finding</b>	The Concessionaire has not completed the required Annual Security Deposit Adjustments.	High
<b>Recommendation</b>	As required in Section 2.5 of the Contract, the Concessionaire should submit a Security Deposit in an amount equal to one-fourth of all fees and charges paid to the OIAA during Agreement Year 2 (spanning from December 1, 2022 to November 30, 2023), and OIAA should require the Concessionaire to complete Annual Security Deposit Annual Adjustments by July 1 of each year. Additionally, OIAA should consider changing Security Deposit Annual Adjustment language in future contracts to a due date of 90 days after the completion of each Agreement Year.	
<b>One-Time or On-Demand Deliverables</b>		<b>Risk Rating</b>
<b>Initial Security Deposit</b>		
<b>7 Finding</b>	The Concessionaire did not submit their initial Security Deposit.	Critical
<b>Recommendation</b>	As required in Section 2.5 of the Contract, the Concessionaire should submit a Security Deposit in an amount equal to one-fourth of all fees and charges paid to the OIAA during Agreement Year 2 (spanning from December 1, 2022 to November 30, 2023).	



FINDINGS AND RECOMMENDATIONS		
Health Inspections		
<b>8 Finding</b>	The Concessionaire has not provided copies of Health Inspection Reports.	High
<b>Recommendation</b>	As required by Section B.16 of Contract Exhibit H, the Concessionaire should submit a copy of Health Inspections within five days of the inspection and notify OIAA’s CEO immediately upon failing an inspection. Upon receipt of each Monthly Report, OIAA should ask the Concessionaire whether any Health Inspections took place that month and should request copies of all Health Inspection Reports. OIAA should maintain records of the Concessionaire’s monthly responses, as well as any Health Inspection Reports received, to ensure lease compliance.	
Written Complaints		
<b>9 Finding</b>	The Concessionaire has not provided copies of written complaints and responses; however, it is unclear whether the Concessionaire is not forwarding them as required or there simply have not been any complaints.	Medium
<b>Recommendation</b>	As required by Section B.6 of the Contract Exhibit H, the Concessionaire should respond in writing to all written complaints and provide copies of the written complaint and response to OIAA’s CEO within 48 hours. Upon receipt of each Monthly Report, OIAA should ask the Concessionaire for copies of all written complaints received that month, along with the Concessionaire’s responses, to ensure lease compliance. The Concessionaire’s monthly responses should be recorded for recordkeeping purposes.	

## B. SCOPE AND METHODOLOGY

The goal of our compliance assessment of the Authority’s food concessions Contract with the Concessionaire was to validate that the Concessionaire had performed all contractual obligations.

As requested by the OIAA, we also conducted a lookback review on any findings where past due amounts would be applicable to help the OIAA understand the total impact of our findings.

We conducted our review in four phases:

1. **Project Initiation and Management:** We created our compliance assessment plan by identifying documents to review and ensuring that regular reporting channels were established to communicate project questions, project status, and facilitate overall project management.
2. **Fact-Finding:** We reviewed documentation and performed detailed testing to obtain the most currently available information and insights.
  - Document Review:
    - We reviewed all Contract documents, including any amendments, to identify the Concessionaire’s contractual obligations, which are outlined below.



- We then reviewed all documents received from the Concessionaire to validate compliance with said obligations. These materials included Percentage Rent payments, Monthly Reports, and financial statements.
- Any compliance questions were directed to the OIAA's Director of Revenue and Strategies, as noted throughout our report.
- Monthly Requirements:
  - Accurately calculating and remitting Monthly Rent (Section 2.3.A of the Contract)
  - Accurately submitting the Monthly Report (Section 3.52.A)
  - Accurately calculating and remitting monthly Support Space charges (Section 2.4.A)
  - Reimbursing the Authority in full for monthly Utilities charges (Section 2.8)
- Annual Requirements:
  - Annual reporting to Airport Concessions Disadvantaged Business Enterprise (ACDBE) Program (Section 3.8.A.3)
  - Providing an Annual Report that conforms to contractual requirements (Section 3.52.C)
  - Providing a Concessionaire's Audit (Annual Audit) that conforms to contractual requirements (Section 3.9.A)
  - Providing an Annual Reconciliation and Adjustment of (paid) Rent (Section 2.3.C)
  - Accurately readjusting Support Space Rent (Section 2.4.A)
  - Accurate readjustment of Security Deposit (Section 2.5.B)
- One-Time and On-Demand Requirements:
  - Submitting initial Security Deposit (Section 2.5.A)
  - Submitting Department of Health Inspection Reports within five days; notifying the OIAA's CEO immediately upon a failed Health Inspection (Exhibit H, Section B.16)
  - Installing access prevention and surveillance devices as required and granting OIAA access (Section 3.4.F)
  - Obtaining and properly displaying vehicle ID permits (Section 3.4.G)
  - Responding to written complaints in writing within 48 hours; providing the OIAA's CEO with copies (Exhibit H, Section B.6)
  - Providing proof of monthly grease trap cleaning and maintenance to OIAA within seven days of request (Exhibit E, Section 13)
  - Providing proof of written preventative maintenance program for the Leased premises within 30 days of request (Exhibit E, Section 10)
  - Maintaining Commercial General Liability, Commercial Automobile Liability, Workers' Compensation, and All-Risk Property Insurance as required (Exhibit G)
- 3. **Analysis:** We evaluated the extent to which the Concessionaire complied with the Contract requirements as identified during our fact-finding phase outlined above.
- 4. **Reporting:** We concluded our work by reviewing draft findings and recommendations with the Authority to confirm the status of the recommendations.

A table listing all reviewed documents has been included in the Appendix.

This engagement was performed in accordance with the Standards for Consulting Services established by the American Institute of Certified Public Accountants. The scope of this engagement



is outlined in the body of our report. This report was developed based on information from our review of contract documents, utility statements, invoices, financial statements, and the Concessionaire's statement of sales.

## C. FUTURE CONSIDERATIONS

### Conduct Validation of Annual Report

We were **unable** to validate the accuracy of Rent calculations or Rent paid. The OIAA should exercise its authority granted under Section 3.49.C of the Contract to require that the Annual Reports for Agreement Years 2 and 3 be submitted in a format that provides monthly detail. Once the Annual Report has been received in the format and detail satisfactory to the Authority, we recommend completing a compliance review to validate self-reported monthly Gross Revenues and Rent paid.

### Specify Amount of Utility Administrative Fee

OIAA charges a 15% administrative fee on utilities. While Section 3.3 of the Contract specifically allows OIAA to charge administrative fees, it is silent as to the exact amount that may be charged. We recommend adding language to the Contract that specifies the amount of the administrative fee on utility charges at time of contract renewal and in future contracts to avoid potential disputes with concessionaires.

### Require Proof of Insurance

Exhibit G of the Contract requires the Concessionaire to carry Commercial General Liability, Commercial Automobile Liability, Workers' Compensation, and All-Risk Property insurance at specified amounts; however, the Contract language does not create a specific requirement for the Concessionaire to provide proof of insurance to OIAA. A best practice is to require the Concessionaire to forward proof of coverage when policies are initiated and as renewed, and to maintain copies within the Contract file in case of incident.

### Align Annual Security Deposit Adjustment Dates

We recommend aligning the Annual Security Deposit Adjustment requirement dates with the Agreement Year, making it required no later than 90 days after the end of each Agreement Year in future contracts to avoid unintended reductions to the security deposit that result from the adjustment coming due before the Concessionaire has had an entire year's charges and fees to base the adjustment upon. Alternatively, OIAA could instead insert language stating that the Annual Security Deposit Adjustment requirement will not become due until the Concessionaire has been in operation for an entire Agreement Year.

### Align Agreement Year with Opening Date

We recommend aligning the Agreement Year with the Concessionaire's opening date to reduce administrative burden and potential confusion on when Contract requirements are due. Per the Contract, the *Agreement Year* is defined as 12 full calendar months during the Term of the



Agreement (Section 1.3); *Term* is defined as commencing upon execution of the Agreement (Section 2.2); and *Execution date* is defined as November 19, 2021 (Section 3.69). Taken together, this Contract's Agreement Year 1 runs from November 19, 2021 to November 30, 2022; Agreement Year 2 runs from December 1, 2022 to November 30, 2023; and Agreement Year 3 runs from December 1, 2023 to November 30, 2024. Per OIAA, the Concessionaire opened both terminals' locations on May 19, 2022. As a result, the first annual reporting requirements came due after only six months of operation. This can be avoided by aligning the Agreement Year with the Concessionaire's opening date in future contracts rather than having it tied to contract execution date.

## D. COMMENDATIONS

We would like to thank the Authority for their responsiveness and thoroughness during this Vendor Contract Compliance Review. It is important to note that while many of the current Finance, Revenue Management, and Concessions team members were not part of the original vendor contract negotiation process, and have inherited pre-existing compliance issues, they are working proactively to address them. These staff members have been receptive to audit findings, valuing the information as a way to identify and prioritize necessary improvements. Their enthusiastic support for the process has played an essential role in the success of our assessment.



## II. BACKGROUND

The Authority engaged its internal auditor, Moss Adams, to conduct an audit of its vendor contract monthly payments. The Authority contracted with the vendor, Swissport USA, Inc. d/b/a Aspire Airport Lounge (the Concessionaire), to provide food concession services to patrons of the OIAA. Key elements of the Contract included the following provisions:

- Gross Revenues (excluding sales and excise taxes and other monies resulting from conditions described in Contract Section 1.14) should be accounted for accurately to provide a basis for establishing a Percentage Rent equal to a percent of Gross Revenue.
  - Section 2.3 sets Percentage Rent as 14% of Admissions and 15% of food and beverage sales for gross sales under \$3 million.
  - As no audited financial statements have been provided, we were unable to reliably review revenue calculations and assess the accuracy of remittances to the Authority.
  - Reviewing what was provided, we evaluated the accurateness of the percentage used to determine the amount of monthly Percentage Rent, as well as the accuracy of the Percentage Rent calculation.
- A Monthly Report must be submitted concurrent with each monthly Rent payment.
  - Section 3.52A of the Contract requires the Concessionaire to submit a Monthly Report that summarizes activities and gross revenues.
  - This Monthly Report must be submitted electronically, with an additional hard copy delivered to 1923 E. Avion Street, Ontario, CA 91761.
- The Concessionaire is responsible for paying Utilities.
  - Section 2.8 of the Contract requires the Concessionaire to pay utilities invoiced by the Authority within 15 calendar days of invoice receipt.
- The Concessionaire is responsible for paying Parking Fees.
  - Section 3.68 of the Contract requires the Concessionaire to pay parking fees in effect for the parking areas they utilize.
- The Concessionaire is responsible for paying Support Space charges.
  - Section 2.4.A of the Contract requires the Concessionaire to pay \$124.23 per square foot of leased Support Space that is not a contiguous part of the Leased Premises, prorated on a monthly basis.
  - This amount is to be annually adjusted each July 1 during the Agreement Term, based upon the Consumer Price Index for All Urban Consumers (CPI-U) for Los Angeles as published by the Department of Labor's Bureau of Labor Statistics.
- The Security Deposit must be adjusted annually.
  - Section 2.5 of the Contract set the initial Security Deposit at \$50,000 and requires the Concessionaire to, by July 1 of each year, adjust its Security Deposit to an amount equal to one-quarter of the total amount of all fees and charges paid to the OIAA over the previous Agreement Year.
- The Concessionaire must submit copies of Department of Health Inspections and notify the OIAA immediately upon failing an Inspection.



- Section B.16 of the Contract's Exhibit H requires the Concessionaire to submit a copy of Health Inspections within five days of an Inspection and notify the OIAA's CEO immediately upon failing an Inspection.
- The Concessionaire must install, maintain, and operate access prevention and surveillance devices as requested by the OIAA.
  - Section 3.4.F of the Contract requires the Concessionaire to install, maintain, and operate access prevention and surveillance devices as requested by the OIAA.
- The Concessionaire must respond in writing to all written complaints and provide copies of all associated written correspondence to the OIAA's CEO within 48 hours.
  - Section B.6 of Contract Exhibit H requires the Concessionaire to respond in writing to all written complaints within 48 hours of receipt and provide copies of all associated written correspondence to the OIAA's CEO.
- The Concessionaire must furnish proof of monthly cleaning and maintenance service on its grease traps to the OIAA's CEO within seven calendar days of the OIAA's request.
  - Section 13 of Contract Exhibit E requires the Concessionaire to furnish proof of monthly cleaning and maintenance serviced on its grease traps to the OIAA's CEO within seven calendar days of request.
- The Concessionaire must submit a Concessionaire's Audit (Annual Audit)
  - Section 3.9.A requires the Concessionaire to submit a Concessionaire's Audit (Annual Audit), conducted by a CPA, no later than 60 days following the last day of every Agreement Year. This Audit is to include all business transacted at the Airport during the preceding Agreement Year.
  - This Audit shall include:
    - An Audited Statement of Gross Revenues, submitted to the Airport Accounting Office no later than 60 days following the last day of every Agreement Year.
    - A written statement to the OIAA stating that in the CPA's opinion, Rent and other required fees paid by the Concessionaire to the OIAA for the preceding Agreement Year were paid in accordance with the terms of the Contract.
    - Copies of any reports prepared by such CPA or by the Concessionaire's internal audit staff for the Concessionaire relating exclusively to the Contract, and specifically describing any strengths or weaknesses of internal fiscal controls.
    - A management letter prepared by such CPA for the Concessionaire relating exclusively to the Contract and specifically describing the Concessionaire's internal accounting controls as they relate to cash handling, processing of receipts, and security of cash at the Airport, based on examination and testing of such controls by such CPA, including a control analysis of the strengths and weaknesses of such controls.
  - If the Audit shows any discrepancy in the amount of the Concessionaire's Gross Revenues as compared to those reported to the OIAA, the Concessionaire must pay the OIAA the difference, or the OIAA shall reimburse the Concessionaire as the case may be, within 30 calendar days following discovery of the discrepancy.
- The Concessionaire must provide an Annual Report.
  - Section 3.52.C of the Contract requires the Concessionaire to submit an Annual Report prepared by an independent CPA or the Concessionaire's CFO, to serve as a certified annual financial statement that sets forth all business transacted under the Agreement during the preceding Agreement Year.





- This Annual Report must include, but is not necessarily limited to:
  - The Concessionaire's Gross Revenues
  - Rent
  - Other payments due to the OIAA
  - CPA's Audit or audit performed by the Concessionaire's CFO
  - Examination of source documents from which Monthly Reports are based
  - Certified opinion as to the accuracy of the Concessionaire's submitted Monthly Reports
- This Annual Report shall be in a format and in detail satisfactory to the OIAA.
- This Annual Report is due no later than 60 calendar days following the last day of each Agreement Year.
- The Concessionaire must conduct an Annual Reconciliation and Rent Adjustment.
  - Section 2.3.C of the Contract requires the Concessionaire to reconcile Rent at the end of each Agreement Year, with Rent Adjustments required within 30 days after the approved Annual Report is sent to the OIAA (as required in Section 3.52.C).
- The Concessionaire must maintain insurances.
  - Exhibit G outlines the insurance requirements for Commercial General Liability, Commercial Automobile Liability, Workers' Compensation, and All-Risk Property Insurance at the amounts described.



### III. RESULTS

Based on the input gathered from document review and discussions with the Authority, we evaluated compliance with the Contract terms outlined in Section II. Where noncompliance was found, we prepared findings and recommendations accordingly.

#### A. MONTHLY DELIVERABLES

##### Parking Fees

<b>1.</b>	<b>Finding</b>	The Concessionaire has past-due Parking Fees. Additionally, Parking Fee amounts are not clearly defined within Contractual terms.
	<b>Recommendation</b>	As required by Section 3.68 of the Contract, the Concessionaire should remit \$4,850 for past-due Parking Fees. In addition, OIAA should evaluate controls to ensure timely payments in the future and should consider providing more definitive Parking Fee amounts within the Contract for transparency and accountability purposes.
	<b>Risk Rating</b>	Medium to High

Section 3.68 of the Contract requires that the Concessionaire pay Parking Fees as charged by OIAA. Based on Article 3.68, “Vehicular and equipment parking by Concessionaire, its employees, agent, Subtenants, licensees, suppliers, and subcontractors shall be restricted to such areas at the Airport as area designated by the OIAA. Such parking shall be subject to the payment of such parking fees as may from time to time be in effect for such designated.”

Upon inquiry with the Authority, we learned that the Concessionaire had not paid the following Parking Fee invoices: March 2024 CINV 15732 (\$1,550), May 2024 CINV 16185 (\$1,650), and June 2024 CINV 16427 (\$1,650), for a total of \$4,850. The Concessionaire should remit these payments and the Authority should evaluate controls to ensure timely Parking Fee payments moving forward. Additionally, OIAA should consider providing more definitive Parking Fee amounts within the Contract for transparency and accountability purposes.

<b>Authority Response</b>	The Authority will continue to invoice for the unpaid parking invoices and add late fees, interest, and other fees per the lease.
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## Monthly Report

2.	<b>Finding</b>	Although an electronic submission was provided, the Concessionaire did not deliver a written copy of the October 2023 Monthly Report.
	<b>Recommendation</b>	As required by Section 3.49.A of the Contract, in addition to electronic submission, the Concessionaire should deliver a written copy of the Monthly Report to the OIAA at the address specified in Section 2.7. The OIAA should consider enforcing the applicable late fee per Contract Section 3.49.B.
	<b>Risk Rating</b>	Low

Section 3.49.A of the Contract requires that the Concessionaire submit their Monthly Report, which supports their monthly Percentage Rent payments, both electronically and by mail to the address specified in Section 2.7 (OIAA, Administration Building, 1923 E. Avion Street, Ontario, CA 91761).

Upon inquiry with the Authority, we learned that all Monthly Reports are only received electronically at this time. The Authority should remind the Concessionaire to submit their Monthly Report as required moving forward. Since the contractual requirement for written delivery was not met, the Authority should consider the enforcing the \$10.00 per day late fee allowed by Section 3.49.B.

<b>Authority Response</b>	The Authority has the right, as outlined in the lease, to modify the form of submission of the monthly sales and revenues. The Authority will document the acceptable forms, paper and/or electronic by November 30, 2024.
	The Revenue Management (RevM) team recognizes that the leases are not standardized and some of the language may be antiquated, no longer applicable, or may need to be strengthened. RevM is currently working with consultants to evaluate and update the leases, if possible. In addition, the consultants are assisting the RevM team in updating and standardizing processes which will identify concessionaire lease non-compliance on a timely basis.

## B. ANNUAL DELIVERABLES

### Annual Report

3.	<b>Finding</b>	The Concessionaire did not submit Annual Reports for Agreement Years 1 or 2.
	<b>Recommendation</b>	As required by Section 3.49.C of the Contract, the Concessionaire should submit Annual Reports containing a certified opinion as to the accuracy of the submitted Monthly Reports for both Agreement Years 1 and 2, in a format and detail



**Risk Rating**

satisfactory to the OIAA. The OIAA should consider enforcing the applicable late fee per Contract Section 3.49.D.

High to Critical

Section 3.49.C of the Contract requires the Concessionaire to submit an Annual Report for the OIAA’s approval within 60 calendar days following the last day of each Agreement Year. This report must be prepared by an independent CPA or by the Concessionaire’s CFO in a format and detail satisfactory to the OIAA and shall serve as a certified annual financial statement of the Concessionaire’s Gross Revenues, Rent, and other payments due to the OIAA. Additionally, the Annual Report is required to provide a certified opinion as to the accuracy of the Concessionaire’s submitted Monthly Reports.

OIAA confirmed that the Concessionaire has not submitted Annual Reports for Agreement Years 1 and 2, despite being due January 30, 2022 and January 30, 2023 respectively.

OIAA confirmed that the Concessionaire’s date of opening was May 19, 2022. However, Section 3.49 of the Contract states that Annual Report due dates are based upon the Agreement Year (not opening date). Within the Contract, *Agreement Year* is defined as 12 full calendar months during the Term of the Agreement (Section 1.3); *Term* is defined as commencing upon execution of the Agreement (Section 2.2); and *Execution date* is defined as November 19, 2021 (Section 3.66). Taken together, Agreement Year 1 ran from November 19, 2021 to November 30, 2022; Agreement Year 2 ran from December 1, 2022 to November 30, 2023; and Agreement Year 3 runs from December 1, 2023 to November 30, 2024. Thus, per the language of the Contract, submission of Agreement Year 1’s Annual Report (covering operations from the opening date of May 19, 2022 to November 30, 2022) was due no later than January 30, 2023. Agreement Year 2 (covering December 1, 2022 to November 30, 2023) was due no later than January 30, 2024.

As required by Section 3.49.C of the Contract, the Concessionaire should submit Annual Reports containing a certified opinion as to the accuracy of the submitted Monthly Reports for both Agreement Years 1 and 2, in a format and detail satisfactory to the OIAA. The OIAA should consider enforcing the applicable late fee per Contract Section 3.49.D. Additionally, we recommend that the Authority require the Concessionaire to submit their Annual Reports going forward no later than January 30 of each year, in compliance with Contract requirements.

**Authority Response**

The Authority will work with the concessionaire to ensure they understand their lease requirements and due dates. A schedule for when all items can be address will be created by December 15, 2024. In addition, the consultants are assisting the RevM team in updating and standardizing processes which will identify concessionaire lease non-compliance on a timely basis.



## Concessionaire’s Audit (Annual Audit)

<b>4.</b>	<b>Finding</b>	The Concessionaire did not submit Concessionaire’s Audits (Annual Audits) for Agreement Years 1 or 2.
	<b>Recommendation</b>	The Concessionaire should submit a Concessionaire’s Audit (Annual Audit) for Years 1 and 2 that complies with the contractual requirements outlined in Section 3.9.A of the Contract. The OIAA should consider performing the audit directly as allowable per Contract.
	<b>Risk Rating</b>	High to Critical

Section 3.9.A of the Contract requires the Concessionaire to remit a Concessionaire’s Audit (Annual Audit) no later than 60 days after the end of each Agreement Year, making the Year 1 Concessionaire’s Audit due no later than January 30, 2022, and Year 2 Audit due January 30, 2023. The Contract requires that this Annual Audit be completed by a CPA and that it contain: 1) an audited statement of Gross Revenues, 2) a written statement that, in the CPA’s opinion, Rent and other required fees paid in the preceding Agreement Year were done so in accordance with the Agreement term, 3) copies of any reports prepared by the CPA or the Concessionaire’s internal audit staff relating exclusively to the Contract that specifically describe any strengths and weaknesses of internal fiscal controls, and 4) a management letter prepared by the CPA specifically describing the Concessionaire’s internal accounting controls as they relate to cash handling, processing of receipts, and security of cash at the Airport based upon that CPA’s examination and testing (including an analysis of the strengths and weaknesses of such controls). In the event the Annual Audit shows any discrepancies, over or underpayments shall be reimbursed within 30 days of discovery.

OIAA confirmed that the Concessionaire has not submitted any Concessionaire’s Audits thus far, despite being due no later than January 30, 2022 (for Year 1) and January 30, 2023 (for Year 2). The Concessionaire did provide an Agreement Year 1 “Independent Auditor’s Report” prepared by Rehmann, which despite the title, appears to be the Annual Rent Reconciliation & Rent Adjustment required in Section 2.3.C due to its content.

The Concessionaire should submit a Concessionaire’s Audit (Annual Audit) for Years 1 and 2 that complies with the contractual requirements outlined in Section 3.9.A of the Contract. The OIAA should consider performing the audit directly as allowable per Contract. Additionally, we recommend that the Authority require the Concessionaire to submit their Annual Concessionaire’s Reports going forward no later than January 30 of each year in compliance with the Contract.

<b>Authority Response</b>	The Authority alongside the Pasley Group will work with the concessionaire to ensure they understand their lease requirements and due dates. A schedule for when all items can be addressed will be created by December 15, 2024. In addition, the consultants are assisting the RevM team in updating and standardizing processes which will identify concessionaire lease non-compliance on a timely basis.
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## Annual Reconciliation and Adjustment of (Paid) Rent

5.	<b>Finding</b>	The Concessionaire did not complete the Annual Reconciliation and Adjustment of (Paid) Rent for Agreement Year 2 (year ending November 2023) and did not remit the underpayment of \$633 for Agreement Year 1.
	<b>Recommendation</b>	As required by Section 2.3.C of the Contract, the Concessionaire should reconcile the amount of Rent paid with that owed under the terms of the Contract for Agreement Year 2 and remit the \$633 underpayment of rent outlined in their Annual Reconciliation and Adjustment of (Paid) Rent for Agreement Year 1. Additionally, the Authority should require the Concessionaire submit an Annual Reconciliation and Adjustment of (Paid) Rent yearly in accordance with the Contract.
	<b>Risk Rating</b>	High

Section 2.3.C of the Contract requires the Concessionaire to reconcile the amount of Rent they paid to the Authority over the previous Agreement Year, making any over or underpayment adjustments within 30 days of the OIAA’s approval of the Annual Report required under Section 3.49.C of the Contract.

OIAA confirmed that the Concessionaire submitted an Agreement Year 1 “Independent Auditor’s Report” prepared by Rehmann, which outlined a \$633 underpayment of rent for Agreement Year 1, that the Agreement Year 1 underpayment has not yet been remitted, and that the Annual Reconciliation and Adjustment of (Paid) Rent for Agreement Year 2 has not yet been submitted.

As required by Section 2.3.C of the Contract, the Concessionaire should reconcile the amount of Rent paid with that owed under the terms of the Contract for Agreement Year 2 and remit the \$633 underpayment shown to be due for Agreement Year 1. Additionally, we recommend that the Authority require the Concessionaire to submit their Annual Reconciliation and Adjustment of (Paid) Rent upon OIAA’s approval of each year’s Annual Report in compliance with the Contract’s language.

<b>Authority Response</b>	The Authority, along with the Pasley Group (consultants) will work with the concessionaire to ensure they understand their lease requirements and due dates. A schedule for when all items can be address will be created by December 15, 2024. In addition, the consultants are assisting the RevM team in updating and standardizing processes which will identify concessionaire lease non-compliance on a timely basis.
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## Security Deposit Annual Adjustment

<b>6.</b>	<b>Finding</b>	The Concessionaire has not completed the required Annual Security Deposit Adjustments.
	<b>Recommendation</b>	As required in Section 2.5 of the Contract, the Concessionaire should submit a Security Deposit in an amount equal to one-fourth of all fees and charges paid to the OIAA during Agreement Year 2 (spanning from December 1, 2022 to November 30, 2023), and OIAA should require the Concessionaire to complete the Annual Security Deposit Annual Adjustments by July 1 of each year. Additionally, OIAA should consider changing Security Deposit Annual Adjustment language in future contracts to a due date of 90 days after the completion of each Agreement Year.
	<b>Risk Rating</b>	High

Per Section 2.5.A of the Contract, the Concessionaire should have submitted an initial Security Deposit in the amount of \$50,000 upon the date of contract execution (November 19, 2021), and this amount should have been adjusted each July 1 to an amount equal to one-fourth of all fees and charges paid to the OIAA during the previous Agreement Year (Section 2.5.B).

Upon inquiry with the Authority, we learned that the initial security deposit has not been paid, nor have annual adjustments been made.

In this case, Contract language may have created an unintended consequence:

1. The requirement to adjust the Security Deposit is not aligned to the end of the Agreement Year. The Security Deposit Annual Adjustment is due July 1 of each year, based on the fees and charges of the previous Agreement Year (not the previous calendar year). In this case, the date of the first required Security Deposit Annual Adjustment (July 1, 2022) occurred prior to the completion of Agreement Year 1 (November 30, 2022). As a result, there is no completed Agreement Year on which to base the first required adjustment.
2. The date of the second required Security Deposit Annual Adjustment (July 1, 2023), occurred prior to the end of Agreement Year 2, resulting in the Security Deposit Annual Adjustment being based on Agreement Year 1 (which covered from business launch, May 19, 2022, to November 30, 2022—only six months of operation). Having the adjustment based upon six months of operation results in the annually adjusted Security Deposit for July 1, 2023 to July 1, 2024 being reduced to approximately half of what it should be based on a typical Agreement Year’s charges and fees.
3. The next (third) required Security Deposit Annual Adjustment was due on July 1, 2024. As it covers the previous Agreement Year (Agreement Year 2) spanning from December 1, 2022 to November 30, 2023, this Annual Security Deposit Adjustment will be the first Annual Security Deposit Adjustment that will span an entire year’s worth of business.

We recommend that rather than asking the Concessionaire to submit the Initial Security Deposit of \$50,000, OIAA should request the Concessionaire to submit a Security Deposit in the amount required by the third Security Deposit Annual Adjustment, due on July 1, 2024 and based upon Agreement Year 2’s fees and charges (that is, based upon the fees and charges spanning December 1, 2022 to November 30, 2023).



It appears the lack of Agreement Year upon which to base the first required Security Deposit Annual Adjustment, and the reduction of the Security Deposit by approximately one-half during the second required Security Deposit Annual Adjustment, were likely unintended consequences of the Contract language used and not a true representation of the Parties' contracting intent. Thus, we recommend that OIAA consider an adjusting contract language in future agreements to prevent having Annual Security Deposit Adjustments be based on less than a full year's fees and charges. This could be accomplished by requiring the Annual Security Deposit Adjustment to become due 90 days after the completion of each Agreement Year, or alternatively by stating that the first Security Deposit Annual Adjustment will not take place until an entire Agreement Year has passed.

**Authority Response**

The Finance Division will invoice the concessionaire for the required amount of the security deposit by December 15, 2024 in the most recent amount due. The Pasley Group will notify tenants prior to the invoice. Going forward, our lease management system (Propworks) will be instrumental in tracking and maintaining contract compliance. In addition, processes will be developed to ensure that new locations will not be allowed to open without the required security deposits, franchise agreements and other lease requirements.

**C. ONE-TIME OR ON-DEMAND DELIVERABLES**

**Initial Security Deposit**

7.	<b>Finding</b>	The Concessionaire did not submit their initial Security Deposit.
	<b>Recommendation</b>	As required in Section 2.5 of the Contract, the Concessionaire should submit a Security Deposit in an amount equal to one-fourth of all fees and charges paid to the OIAA during Agreement Year 2 (spanning from December 1, 2022 to November 30, 2023).
	<b>Risk Rating</b>	Critical

Per Section 2.5.A of the Contract, the Concessionaire should have submitted an initial Security Deposit in the amount of \$50,000 upon the date of Contract execution (November 19, 2021), and this amount should have been adjusted each July 1 to an amount equal to one-fourth of all fees and charges paid to the OIAA during the previous Agreement Year (Section 2.5.B). The most recent Security Deposit Annual Adjustment, due on July 1, 2024, set the required Security Deposit amount at one-fourth of all fees and charges paid to the OIAA during Agreement Year 2 (spanning from December 1, 2022 to November 30, 2023).

Upon inquiry with the Authority, we learned that the Initial Security Deposit has not been paid.

We recommend that rather than asking the Concessionaire to submit the Initial Security Deposit of \$50,000, OIAA should request the Concessionaire to submit a Security Deposit in the amount required by the third Security Deposit Annual Adjustment, due on July 1, 2024, which set the Security





Deposit at one-fourth of all fees and charges paid to OIAA during Agreement Year 2 (spanning from December 1, 2022 to November 30, 2023).

**Authority Response** The Finance Division will invoice the concessionaire for the required amount of the security deposit by December 15, 2024 in the most recent amount due. The Pasley Group will notify tenants prior to the invoice. Going forward, our lease management system (Propworks) will be instrumental in tracking and maintaining contract compliance. In addition, processes will be developed to ensure that new locations will not be allowed to open without the required security deposits, franchise agreements and other lease requirements.

## Health Inspections

<b>8.</b>	<b>Finding</b>	The Concessionaire has not provided copies of Health Inspection Reports.
	<b>Recommendation</b>	As required by Section B.16 of Contract Exhibit H, the Concessionaire should submit a copy of Health Inspections within five days of the inspection and notify OIAA's CEO immediately upon failing an inspection. Upon receipt of each Monthly Report, OIAA should ask the Concessionaire whether any Health Inspections took place that month and should request copies of all Health Inspection Reports. OIAA should maintain records of the Concessionaire's monthly responses, as well as any Health Inspection Reports received, to ensure lease compliance.
	<b>Risk Rating</b>	High

Section B.16 of Contract Exhibit H requires the Concessionaire to provide OIAA with copies of Health Inspection Reports within five days of inspection and to notify the OIAA CEO in writing immediately upon a failed Health Inspection. OIAA's Director of Revenue Strategies stated they were unaware of any such submissions. It is unclear whether, or how often, the Department of Health has inspected the Concessionaire's Terminal 4 location, or whether the Terminal 4 location has ever failed a Health Inspection.

Upon receipt of each Monthly Report, OIAA should ask the Concessionaire whether any Health Inspections took place that month and should request copies of all Health Inspection Reports. OIAA should maintain records of the Concessionaire's monthly responses, as well as any Health Inspection Reports received, to ensure lease compliance.

**Authority Response** All concession's F&B locations received an EHS Inspection in August 2024. Members of the Concessions Team escorted the inspectors. Prior to this, it is uncertain when the last EHS Inspections occurred. Submitting EHS Inspection results and complaints were addressed at the Sept 2024 Concessions Partnering Meeting and individual Business meetings. This topic will be a standard for all Partnering and business meetings going



forward. Additional processes will be developed to ensure adherence to this provision.

## Written Complaints

<b>9.</b>	<b>Finding</b>	The Concessionaire has not provided copies of written complaints and responses; however, it is unclear whether the Concessionaire is not forwarding them as required or there simply have not been any complaints.
	<b>Recommendation</b>	As required by Section B.6 of the Contract Exhibit H, the Concessionaire should respond in writing to all written complaints and provide copies of the written complaint and response to OIAA's CEO within 48 hours. Upon receipt of each Monthly Report, OIAA should ask the Concessionaire for copies of all written complaints received that month, along with the Concessionaire's responses, to ensure lease compliance. The Concessionaire's monthly responses should be recorded for recordkeeping purposes.
	<b>Risk Rating</b>	Medium

Section B.6 of Contract Exhibit H requires the Concessionaire to respond to all written complaints in writing within 48 hours of receipt, and to provide a copy of the complaints and responses to the OIAA CEO. Upon inquiry, OIAA's Director of Revenue Strategies stated they were unaware of any such complaints; however, it is unclear whether the Concessionaire is not forwarding them as required or if there simply have not been any complaints.

Upon receipt of each Monthly Report, OIAA should ask the Concessionaire for copies of all written complaints received that month, along with the Concessionaire's responses, to ensure lease compliance. The Concessionaire's monthly responses should be recorded for recordkeeping purposes.

<b>Authority Response</b>	Submitting written customer complaints and responses were addressed at the Sept 2024 Concessions Partnering Meeting and individual Business meetings. This topic will be a standard for all Partnering and business meetings going forward. Additional processes will be developed to ensure adherence to this provision.
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## APPENDIX: REVIEWED DOCUMENTS LIST

DATE	DOCUMENT
11/23/2021	ONT-20-10019_Swissport (Contract)
Oct 2023	Swissport Aspire Airport Lounge CINV-14277 (October 2023 Utilities Invoice)
Oct 2023	Utilities for T2 and T4 Oct 23 (October 2023 Utilities Charges Documentation)
Oct 2023	Swissport Aspire Airport Lounge CINV-14427 (Sales Invoice)
Oct 2023	Swissport Aspire Airport Lounge Sales Oct 2023 (Monthly Report)
Oct 2023	Swissport Aspire Airport Lounge CINV-14169 (Parking Invoice)
Oct 2023	Swissport Aspire Invoice October 2023 (Parking Backup)
11/30/2022	Audit Report Year Ended 30 Nov 22 (Agreement Year 1 Annual Reconciliation and Rent Adjustment)





*Proprietary & Confidential*

FINAL REPORT

# Ontario International Airport Authority

JDDA CONCESSION MANAGEMENT, INC.

August 2, 2024

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This report is intended for the internal use of the Ontario International Airport Authority, and may not be provided to, used, or relied upon by any third parties.

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# I. EXECUTIVE SUMMARY

## A. SUMMARY OF RESULTS

Moss Adams LLP (we, Moss Adams) conducted a compliance audit of the Ontario International Airport Authority's (the OIAA, the Authority) contract with JDDA Concession Management, Inc. d/b/a Chick Fil-A (the Concessionaire) for food concessions at the Ontario International Airport during the period of October 1 through October 31, 2023. The goal of the audit was to validate that the Concessionaire had carried out their responsibilities as defined by the original agreement named ONT-20-10015 (the Contract).

The following table summarizes the extent to which the Concessionaire was noncompliant with contract requirements according to the procedures performed. The following findings and recommendations are necessary to ensure future contract compliance, as detailed further in Section III.

FINDINGS AND RECOMMENDATIONS		
Monthly Deliverables		Risk Rating
Monthly Report		
<b>1 Finding</b>	Although an electronic submission was provided, the Concessionaire did not deliver a written copy of the October 2023 Monthly Report.	Low
<b>Recommendation</b>	As required by Section 3.49.A of the Contract, in addition to electronic submission, the Concessionaire should deliver a written copy of the Monthly Report to the OIAA at the address specified in Section 2.7. The OIAA should consider enforcing the applicable late fee per Contract Section 3.49.B.	
Annual Deliverables		Risk Rating
Annual Report		
<b>2 Finding</b>	The Concessionaire did not submit a certified annual financial statement to the Authority for Years 1 or 2.	Critical
<b>Recommendation</b>	We recommend requiring the Concessionaire to submit Annual Reports for all Agreement Years and consulting with Counsel to discuss an amendment realigning Agreement Year dates to coincide with date of operation.	
Concessionaire's Audit (Annual Audit)		
<b>3 Finding</b>	The Concessionaire did not submit Concessionaire's Audits (Annual Audits).	Critical
<b>Recommendation</b>	We recommend requiring the Concessionaire to submit Annual Audits for all outstanding years, and consulting with Counsel to discuss an amendment realigning Agreement Year dates to coincide with date of operation.	



FINDINGS AND RECOMMENDATIONS		
<b>Annual Reconciliation and Adjustment of (Paid) Rent</b>		
<b>4 Finding</b>	The Concessionaire did not complete their Annual Reconciliation and Adjustment of (Paid) Rent.	Critical
<b>Recommendation</b>	We recommend requiring the Concessionaire to submit Annual Reconciliation and Adjustment of Rent for all outstanding years, and consulting with Counsel to discuss an amendment realigning Agreement Year dates to coincide with date of operation.	
<b>Security Deposit Annual Adjustment</b>		
<b>5 Finding</b>	The Concessionaire has not completed the required Annual Security Deposit Adjustments.	High
<b>Recommendation</b>	We recommend consulting with Counsel and the Concessionaire to create a mutually acceptable solution.	
<b>One-Time or On-Demand Deliverables</b>		<b>Risk Rating</b>
<b>Initial Security Deposit</b>		
<b>6 Finding</b>	The Concessionaire did not submit their initial Security Deposit.	Critical
<b>Recommendation</b>	We recommend consulting with Counsel and the Concessionaire to create a mutually acceptable solution.	
<b>Health Inspections</b>		
<b>7 Finding</b>	The Concessionaire has not provided copies of Health Inspection Reports.	High
<b>Recommendation</b>	As required by Section B.16 of Contract Exhibit H, the Concessionaire should submit a copy of Health Inspections within five days of the inspection and notify OIAA's CEO immediately upon failing an inspection. Upon receipt of each Monthly Report, OIAA should ask the Concessionaire whether any Health Inspections took place that month and should request copies of all Health Inspection Reports. OIAA should maintain records of the Concessionaire's monthly responses, as well as any Health Inspection Reports received, to ensure lease compliance.	





FINDINGS AND RECOMMENDATIONS		
Written Complaints		
<b>8 Finding</b>	The Concessionaire has not provided copies of written complaints and responses; however, it is unclear whether the Concessionaire is not forwarding them as required or there simply have not been any complaints.	Medium
<b>Recommendation</b>	As required by Section B.6 of the Contract Exhibit H, the Concessionaire should respond in writing to all written complaints and provide copies of the written complaint and response to OIAA's CEO within 48 hours. Upon receipt of each Monthly Report, OIAA should ask the Concessionaire for copies of all written complaints received that month, along with the Concessionaire's responses, to ensure lease compliance. The Concessionaire's monthly responses should be recorded for recordkeeping purposes.	

## B. SCOPE AND METHODOLOGY

The goal of our compliance assessment of the Authority's food concessions Contract with the Concessionaire was to validate that the Concessionaire had performed all contractual obligations.

As requested by the OIAA, we also conducted a lookback review on any findings where past due amounts would be applicable to help the OIAA understand the total impact of our findings.

We conducted our review in four phases:

1. **Project Initiation and Management:** We created our compliance assessment plan by identifying documents to review and ensuring that regular reporting channels were established to communicate project questions, project status, and facilitate overall project management.
2. **Fact-Finding:** We reviewed documentation and performed detailed testing to obtain the most currently available information and insights.
  - Document Review:
    - We reviewed all Contract documents, including any amendments, to identify the Concessionaire's contractual obligations, which are outlined below.
    - We then reviewed all documents received from the Concessionaire to validate compliance with said obligations. These materials included Percentage Rent payments, Monthly Reports, and financial statements.
    - Any compliance questions were directed to the OIAA's Director of Revenue and Strategies, as noted throughout our report.
  - Monthly Requirements:
    - Accurately calculating and remitting Monthly Rent (Section 2.3.A of the Contract)
    - Accurately submitting the Monthly Report (Section 3.49.A)
    - Accurately calculating and remitting monthly Support Space charges (Section 2.4.A)
    - Reimbursing the Authority in full for monthly Utilities charges (Section 2.8)
  - Annual Requirements:
    - Annual reporting to Airport Concessions Disadvantaged Business Enterprise (ACDBE) Program (Section 3.8.A.3)



- Providing an Annual Report that conforms to contractual requirements (Section 3.49.C)
- Providing a Concessionaire's Audit (Annual Audit) that conforms to contractual requirements (Section 3.9.A)
- Providing an Annual Reconciliation and Adjustment of (Paid) Rent (Section 2.3.C)
- Accurately readjusting Support Space Rent (Section 2.4.A)
- Accurate readjustment of Security Deposit (Section 2.5.B)
- o One-Time and On-Demand Requirements:
  - Submitting initial Security Deposit (Section 2.5.A)
  - Submitting Department of Health Inspection Reports within five days; notifying the OIAA's CEO immediately upon a failed Health Inspection (Exhibit H, Section B.16)
  - Installing access prevention and surveillance devices as required, and granting OIAA access (Section 3.4.F)
  - Obtaining and properly displaying vehicle ID permits (Section 3.4.G)
  - Responding to written complaints in writing within 48 hours; providing the OIAA's CEO with copies (Exhibit H, Section B.6)
  - Providing proof of monthly grease trap cleaning and maintenance to OIAA within seven days of request (Exhibit E, Section 10)
  - Providing proof of written preventative maintenance program for the Leased premises within 30 days of request (Exhibit E, Section 10)
  - Maintaining Commercial General Liability, Commercial Automobile Liability, Workers' Compensation, and All-Risk Property Insurance as required (Exhibit G)
- 3. **Analysis:** We evaluated the extent to which the Concessionaire complied with the Contract requirements as identified during our fact-finding phase outlined above.
- 4. **Reporting:** We concluded our work by reviewing draft findings and recommendations with the Authority to confirm the status of the recommendations.

A table listing all reviewed documents has been included in the Appendix.

This engagement was performed in accordance with the Standards for Consulting Services established by the American Institute of Certified Public Accountants. The scope of this engagement is outlined in the body of our report. This report was developed based on information from our review of contract documents, utility statements, invoices, financial statements, and the Concessionaire's statement of sales.

## C. FUTURE CONSIDERATIONS

### Conduct Validation of Annual Report

We were **unable** to validate the accuracy of Rent calculations or Rent paid. Once the Annual Report has been received in the format and detail satisfactory to the Authority, we recommend completing a compliance review to validate self-reported monthly Gross Revenues and Rent paid.

### Specify Amount of Utility Administrative Fee

OIAA charges a 15% administrative fee on utilities. While Section 3.3 of the Contract specifically allows OIAA to charge an administrative fee, it is silent as to the exact amount that may be charged.



We recommend amending the Contract to specify the current fee and add language surrounding potential increases to avoid potential future disputes with the Concessionaire.

### **Require Proof of Insurance**

While submitting proof of insurance is not required, maintaining insurance is a Concessionaire requirement per Section 3.32. Upon inquiry with the Authority, it was unknown what policies (if any) were held by the Concessionaire or if they were compliant with the Contract's stated limits and other insurance requirements per Exhibit G. To ensure compliance, the Authority should request the Concessionaire's insurance policies to check for Contract compliance and follow up with the Concessionaire prior to each policy's expiration date to ensure no lapse in coverage occurs that may put the Authority at risk. As best practice, the Authority should simply request that all policy renewals are forwarded at time of issuance.

### **Adjustment Dates**

We recommend aligning the Annual Security Deposit Adjustment requirement dates with the Agreement Year, making it required no later than 90 days after the end of each Agreement Year in future contracts to avoid unintended reductions to the security deposit that result from the adjustment coming due before the Concessionaire has had sufficient time to create revenue and incur charges and fees. Alternatively, OIAA could instead insert language stating that the Annual Security Deposit Adjustment requirement will not become due until the Concessionaire has been in operation for an entire Agreement Year.

### **Align Agreement Year with Opening Date**

We recommend aligning the Agreement Year with the Concessionaire's opening date to reduce administrative burden and potential confusion on when Contract requirements are due. Per the Contract, the *Agreement Year* is defined as 12 full calendar months during the Term of the Agreement (Section 1.3); *Term* is defined as commencing upon execution of the Agreement (Section 2.2); and *Execution date* is defined as July 23, 2021 (Section 3.66). Taken together, this Contract's Agreement Year 1 runs from July 23, 2021 to July 31, 2022; Agreement Year 2 runs from August 1, 2022 to July 31, 2023; and Agreement Year 3 runs from August 1, 2023 to July 31, 2024. Per OIAA, the Concessionaire's date of Beneficial Occupancy and store opening was not until May 10, 2023. As a result, while Chick Fil-A had not yet been doing business for a year, the Contract requirements for annual reporting became effective before the store opened and the initial security deposit of \$20,000 was reduced to \$0 before the store opened. These unintended consequences can be avoided by aligning the Agreement Year with the Concessionaire's opening date in future contracts rather than having it tied to contract execution date. We suggest consulting with Counsel and the Concessionaire to create a mutually acceptable solution, but we want to highlight the current misalignment present within the Contract.

## **D. COMMENDATIONS**

We would like to thank the Authority for their responsiveness and thoroughness during this Vendor Contract Compliance Review. It is important to note that while many of the current Finance, Revenue Management, and Concessions team members were not part of the original vendor contract



negotiation process, and have inherited pre-existing compliance issues, they are working proactively to address them. These staff members have been receptive to audit findings, valuing the information as a way to identify and prioritize necessary improvements. Their enthusiastic support for the process has played an essential role in the success of our assessment.



## II. BACKGROUND

The Authority engaged its internal auditor, Moss Adams, to conduct an audit of its vendor contract monthly payments. The Authority contracted with the vendor, JDDA Concession Management, Inc. d/b/a Chick Fil-A (the Concessionaire), to provide food concession services to patrons of the OIAA. Key elements of the Contract included the following provisions:

- Gross Revenues (excluding sales and excise taxes and other monies resulting from conditions described in Contract Section 1.14) should be accounted for accurately to provide a basis for establishing a Percentage Rent equal to a percent of Gross Revenue.
  - Section 2.3 sets Percentage Rent as 13% of monthly Gross Revenues.
  - As no audited financial statements have been provided, we were unable to reliably review revenue calculations and assess the accuracy of remittances to the Authority.
  - Reviewing what was provided, we evaluated the accurateness of the percentage used to determine the amount of monthly Percentage Rent, as well as the accuracy of the Percentage Rent calculation.
- A Monthly Report must be submitted concurrent with each monthly Rent payment.
  - Section 3.49A of the Contract requires the Concessionaire to submit a Monthly Report that summarizes activities and gross revenues.
  - This Monthly Report must be submitted electronically, with an additional hard copy delivered to 1923 E. Avion Street, Ontario, CA 91761.
- The Concessionaire is responsible for paying Utilities.
  - Section 2.8 of the Contract requires the Concessionaire to pay utilities invoiced by the Authority within 15 calendar days of invoice receipt.
- The Concessionaire is responsible for paying Support Space charges.
  - Section 2.4(A) of the Contract requires the Concessionaire to pay \$124.23 per square foot of leased Support Space that is not a contiguous part of the Leased Premises, prorated on a monthly basis.
  - This amount is to be annually adjusted each July 1 during the Agreement Term, based upon the Consumer Price Index for All Urban Consumers (CPI-U) for Los Angeles as published by the Department of Labor's Bureau of Labor Statistics.
- The Security Deposit must be adjusted annually.
  - Section 2.5 of the Contract set the initial Security Deposit at \$20,000 and requires the Concessionaire to, by July 1 of each year, adjust its Security Deposit to an amount equal to one-quarter of the total amount of all fees and charges paid to the OIAA over the previous Agreement Year.
- The Concessionaire must submit copies of Department of Health Inspections and notify the OIAA immediately upon failing an Inspection.
  - Section B.16 of the Contract's Exhibit H requires the Concessionaire to submit a copy of Health Inspections within five days of an Inspection and notify the OIAA's CEO immediately upon failing an Inspection.
- The Concessionaire must install, maintain, and operate access prevention and surveillance devices as requested by the OIAA.
  - Section 3.4.F of the Contract requires the Concessionaire to install, maintain, and operate access prevention and surveillance devices as requested by the OIAA.



- The Concessionaire must respond in writing to all written complaints and provide copies of all associated written correspondence to the OIAA's CEO within 48 hours.
  - Section B.6 of Contract Exhibit H requires the Concessionaire to respond in writing to all written complaints within 48 hours of receipt and provide copies of all associated written correspondence to the OIAA's CEO.
- The Concessionaire must furnish proof of monthly cleaning and maintenance service on its grease traps to the OIAA's CEO within seven calendar days of the OIAA's request.
  - Section 10 of Contract Exhibit E requires the Concessionaire to furnish proof of monthly cleaning and maintenance serviced on its grease traps to the OIAA's CEO within seven calendar days of request.
- The Concessionaire must submit a Concessionaire's Audit (Annual Audit)
  - Section 3.9.A requires the Concessionaire to submit a Concessionaire's Audit (Annual Audit), conducted by a CPA, no later than 60 days following the last day of every Agreement Year. This Audit is to include all business transacted at the Airport during the preceding Agreement Year.
  - This Audit shall include:
    - An Audited Statement of Gross Revenues, submitted to the Airport Accounting Office by no later than 60 days following the last day of every Agreement Year.
    - A written statement to the OIAA stating that in the CPA's opinion, Rent and other required fees paid by the Concessionaire to the OIAA for the preceding Agreement Year were paid in accordance with the terms of the Contract.
    - Copies of any reports prepared by such CPA or by the Concessionaire's internal audit staff for the Concessionaire relating exclusively to the Contract, and specifically describing any strengths or weaknesses of internal fiscal controls.
    - A management letter prepared by such CPA for the Concessionaire relating exclusively to the Contract and specifically describing the Concessionaire's internal accounting controls as they relate to cash handling, processing of receipts, and security of cash at the Airport, based on examination and testing of such controls by such CPA, including a control analysis of the strengths and weaknesses of such controls.
  - If the Audit shows any discrepancy in the amount of the Concessionaire's Gross Revenues as compared to those reported to the OIAA, the Concessionaire must pay the OIAA the difference, or the OIAA shall reimburse the Concessionaire as the case may be, within 30 calendar days following discovery of the discrepancy.
- The Concessionaire must provide an Annual Report.
  - Section 3.49.C of the Contract requires the Concessionaire to submit an Annual Report prepared by an independent CPA or the Concessionaire's CFO, to serve as a certified annual financial statement that sets forth all business transacted under the Agreement during the preceding Agreement Year.
  - This Annual Report must include, but is not necessarily limited to:
    - The Concessionaire's Gross Revenues
    - Rent
    - Other payments due to the OIAA
    - CPA's Audit or audit performed by the Concessionaire's CFO
    - Examination of source documents from which Monthly Reports are based
    - Certified opinion as to the accuracy of the Concessionaire's submitted Monthly Reports



- This Annual Report shall be in a format and in detail satisfactory to the OIAA.
- This Annual Report is due no later than 60 calendar days following the last day of each Agreement Year.
- The Concessionaire must conduct an Annual Reconciliation and Rent Adjustment.
  - Section 2.3.C of the Contract requires the Concessionaire to reconcile Rent at the end of each Agreement Year, with Rent Adjustments required within 30 days after the approved Annual Report is sent to the OIAA (as required in Section 3.49.C).
- The Concessionaire must maintain insurances.
  - Exhibit G outlines the insurance requirements for Commercial General Liability, Commercial Automobile Liability, Workers' Compensation, and All-Risk Property Insurance at the amounts described.



### III. RESULTS

Based on the input gathered from document review and discussions with the Authority, we evaluated compliance with the Contract terms outlined in Section II. Where noncompliance was found, we prepared findings and recommendations accordingly.

#### A. MONTHLY DELIVERABLES

##### Monthly Report

1.	<b>Finding</b>	Although an electronic submission was provided, the Concessionaire did not deliver a written copy of the October 2023 Monthly Report.
	<b>Recommendation</b>	As required by Section 3.49.A of the Contract, in addition to electronic submission, the Concessionaire should deliver a written copy of the Monthly Report to the OIAA at the address specified in Section 2.7. The OIAA should consider enforcing the applicable late fee per Contract Section 3.49.B.
	<b>Risk Rating</b>	Low

Section 3.49.A of the Contract requires that the Concessionaire submit their Monthly Report, which supports their monthly Percentage Rent payments, both electronically and by mail to the address specified in Section 2.7: OIAA, Administration Building, 1923 E. Avion Street, Ontario, CA 91761.

Upon inquiry with the Authority, we learned that all Monthly Reports are only received electronically at this time. The Authority should remind the Concessionaire to submit their Monthly Report as required moving forward.

Section 3.49.B provides for a \$10.00 late fee for each day that a Monthly Report is delinquent. Since the contractual requirements for delivery were not met, the Authority should take the option of enforcing this late fee into consideration.

<b>Authority Response</b>	<p>The Authority has the right, as outlined in the lease, to modify the form of submission of the monthly sales and revenues. The Authority will document the acceptable forms, paper and/or electronic by November 30, 2024.</p> <p>The Revenue Management (RevM) team recognizes that the leases are not standardized and some of the language may be antiquated, no longer applicable, or may need to be strengthened. RevM is currently working with consultants to evaluate and update the leases, if possible. In addition, the consultants are assisting the RevM team in updating and standardizing processes which will identify concessionaire lease non-compliance on a timely basis.</p>
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## B. ANNUAL DELIVERABLES

### Annual Report

2.	<b>Finding</b>	The Concessionaire did not prepare and submit a certified annual financial statement to the Authority for Years 1 or 2.
	<b>Recommendation</b>	We recommend requiring the Concessionaire to submit Annual Reports for all Agreement Years and consulting with Counsel to discuss an amendment realigning Agreement Year dates to coincide with date of operation.
	<b>Risk Rating</b>	Critical

Section 3.49.C of the Contract requires the Concessionaire to submit an Annual Report for the OIAA's approval within 60 calendar days following the last day of each Agreement Year. This report must be prepared by an independent CPA or by the Concessionaire's CFO in a format and detail satisfactory to the OIAA and serves as a certified annual financial statement of the Concessionaire's Gross Revenues, Rent, and other payments due to the OIAA. Additionally, the Annual Report is required to provide a certified opinion as to the accuracy of the Concessionaire's submitted Monthly Reports.

OIAA confirmed that the Concessionaire has not submitted any Annual Reports thus far, despite being due September 29, 2022 and September 29, 2023.

Within the Contract, *Agreement Year* is defined as 12 full calendar months during the Term of the Agreement (Section 1.3); *Term* is defined as commencing upon execution of the Agreement (Section 2.2); and *Execution date* is defined as July 23, 2021 (Section 3.66). Taken together, Agreement Year 1 runs from July 23, 2021 to July 31, 2022; Agreement Year 2 runs from August 1, 2022 to July 31, 2023; and Agreement Year 3 runs from August 1, 2023 to July 31, 2024. Additionally, per the Contract, Annual Report due dates are based upon the Agreement Year (see Section 3.49 of the Contract), rather than upon date of Beneficial Occupancy or store opening date. As a result, submission of Agreement Year 1's Annual Report (covering July 23, 2021 to July 31, 2022) was due no later than 60 days after the end of the Agreement Year (making it due September 29, 2022) despite no business being conducted during that period, and the Annual Report for Agreement Year 2 (covering August 1, 2022 to July 31, 2023) was due no later than September 29, 2023 despite the store opening on May 10, 2023. The Annual Report for Agreement Year 3 (covering August 1, 2023 to July 31, 2024) will be due no later than September 29, 2024.

This misalignment between Agreement Years (and their subsequent annual reporting requirements) and the date of store opening creates an unusual situation. We recommend consulting with Counsel to discuss whether it would be beneficial to amend the Contract to realign Agreement Year dates to coincide with dates of operation. This would alleviate the timing issues with all annual requirements. Alternatively, the Authority could discuss with Counsel the option of having both parties to sign a contract addendum recognizing that no annual reporting requirements (including the Annual Report, Concessionaire's Audit, Annual Reconciliation and Rent Adjustment, and Annual Security Deposit Adjustment) are required for Agreement Year 1 since no business was conducted during that Agreement Year. In this scenario, the Annual Report for Agreement Year 2 (which covered two



months and three weeks of business) would be due according to the schedule provided within the Contract, as would the Annual Report for Agreement Year 3 and all future years.

Additionally, we recommend that the Authority require the Concessionaire to submit their Annual Reports going forward no later than September 29 of each year, or by the date specified within any contract future amendments.

<b>Authority Response</b>	The Authority will work with the concessionaire to ensure they understand their lease requirements and due dates. A schedule for when all items can be address will be created by December 15, 2024. In addition, the consultants are assisting the RevM team in updating and standardizing processes which will identify concessionaire lease non-compliance on a timely basis.
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### Concessionaire’s Audit (Annual Audit)

<b>3.</b>	<b>Finding</b>	The Concessionaire did not submit Concessionaire’s Audits (Annual Audits).
	<b>Recommendation</b>	We recommend requiring the Concessionaire to submit Annual Audits for all outstanding years, and consulting with Counsel to discuss an amendment realigning Agreement Year dates to coincide with date of operation.
	<b>Risk Rating</b>	Critical

Section 3.9.A of the Contract requires the Concessionaire to remit a Concessionaire’s Audit (Annual Audit) no later than 60 days after the end of each Agreement Year, making the Year 1 Concessionaire’s Audit due on September 29, 2022 and Year 2 Audit due September 29, 2023. The Contract requires that this annual audit be completed by a CPA and that it contain: 1) an audited statement of Gross Revenues, 2) a written statement that in the CPA’s opinion Rent and other required fees paid in the preceding Agreement Year were done so in accordance with the Agreement term, 3) copies of any reports prepared by the CPA or the Concessionaire’s internal audit staff relating exclusively to the Contract that specifically describe any strengths and weaknesses of internal fiscal controls, and 4) a management letter prepared by the CPA specifically describing the Concessionaire’s internal accounting controls as they relate to cash handling, processing of receipts, and security of cash at the Airport based upon that CPA’s examination and testing (including an analysis of the strengths and weaknesses of such controls). In the event the Annual Audit shows any discrepancies, over or underpayments shall be reimbursed within 30 days of discovery.

OIAA confirmed that the Concessionaire has not submitted any Concessionaire’s Audits (Annual Audits) thus far, despite being due on September 29, 2022 and September 29, 2023.

Per the Contract, *Agreement Year* is defined as 12 full calendar months during the Term of the Agreement (Section 1.3); *Term* is defined as commencing upon execution of the Agreement (Section 2.2); and *Execution date* is defined as July 23, 2021 (Section 3.66). Taken together, Agreement Year 1 runs from July 23, 2021 to July 31, 2022; Agreement Year 2 runs from August 1, 2022 to July 31, 2023; and Agreement Year 3 runs from August 1, 2023 to July 31, 2024. Additionally, the Contract sets Concessionaire’s Audit (Annual Audit) due dates based upon the Agreement Year (see Section 3.9.A of the Contract), rather than upon date of Beneficial Occupancy or store opening date. As a



result, submission of Agreement Year 1’s Concessionaire’s Audit (Annual Audit) covering July 23, 2021 to July 31, 2022 was due no later than September 29, 2022 despite no business being conducted during that period, and the Concessionaire’s Audit (Annual Audit) for Agreement Year 2 (covering August 1, 2022 to July 31, 2023) was due no later than September 29, 2023 despite the store opening on May 10, 2023. The Concessionaire’s Audit for Agreement Year 3 (covering August 1, 2023 to July 31, 2024) will be due no later than September 29, 2024.

This misalignment between Agreement Years (and their subsequent annual reporting requirements) and the date of store opening creates an unusual situation. We recommend consulting with Counsel to discuss whether it would be beneficial to amend the Contract to realign Agreement Year dates to coincide with dates of operation. This would alleviate the timing issues with all annual requirements. Alternatively, the Authority could discuss with Counsel the option of having both parties to sign a contract addendum recognizing that no annual reporting requirements (including the Annual Report, Concessionaire’s Audit, Annual Reconciliation and Rent Adjustment, and Annual Security Deposit Adjustment) are required for Agreement Year 1 since no business was conducted during that Agreement Year. In this scenario, the Concessionaire’s Audit for Agreement Year 2 (which covered two months and three weeks of business) would be due according to the schedule provided within the Contract, as would the Concessionaire’s Audit for Agreement Year 3 and all future years.

Additionally, we recommend that the Authority require the Concessionaire to submit their Annual Concessionaire’s Reports going forward no later than September 29 of each year, or by the date specified in any contract future amendments.

<b>Authority Response</b>	The Authority alongside the Pasley Group will work with the concessionaire to ensure they understand their lease requirements and due dates. A schedule for when all items can be addressed will be created by December 15, 2024. In addition, the consultants are assisting the RevM team in updating and standardizing processes which will identify concessionaire lease non-compliance on a timely basis.
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## Annual Reconciliation and Adjustment of (Paid) Rent

<b>4.</b>	<b>Finding</b>	The Concessionaire did not complete their Annual Reconciliation and Adjustment of (Paid) Rent.
	<b>Recommendation</b>	We recommend requiring the Concessionaire to submit Annual Reconciliation and Adjustment of Rent for all outstanding years, and consulting with Counsel to discuss an amendment realigning Agreement Year dates to coincide with date of operation.
	<b>Risk Rating</b>	Critical

Section 2.3.C of the Contract requires the Concessionaire to reconcile the amount of Rent they paid to the Authority over the previous Agreement Year, making any over or underpayment adjustments within 30 days of the OIAA’s approval of the Annual Report required under Section 3.49.C of the Contract.



OIAA confirmed that the Concessionaire has not completed an Annual Reconciliation and Adjustment of (Paid) Rent thus far, despite being due on August 30, 2022 and August 30, 2023.

Per the Contract, *Agreement Year* is defined as 12 full calendar months during the Term of the Agreement (Section 1.3); *Term* is defined as commencing upon execution of the Agreement (Section 2.2); and *Execution date* is defined as July 23, 2021 (Section 3.66). Taken together, Agreement Year 1 runs from July 23, 2021 to July 31, 2022; Agreement Year 2 runs from August 1, 2022 to July 31, 2023; and Agreement Year 3 runs from August 1, 2023 to July 31, 2024. Additionally, the Annual Reconciliation and Adjustment of (Paid) Rent due date is based upon the Agreement Year (see Section 2.3.C of the Contract). Thus, submission of the Annual Reconciliation and Adjustment of (Paid) Rent for Agreement Year 1 (covering July 23, 2021 to July 31, 2022) was due no later than 30 days after the end of the Agreement Year (making it due on August 30, 2022) despite no business having been conducted, and the Annual Reconciliation and Adjustment of (Paid) Rent for Agreement Year 2 (covering August 1, 2022 to July 31, 2023) was due no later than August 30, 2023 despite the store opening on May 10, 2023. The Annual Reconciliation and Adjustment of (Paid) Rent for Agreement Year 3 (covering August 1, 2023 to July 31, 2024) will be due no later than August 30, 2024.

This misalignment between Agreement Years (and their subsequent annual reporting requirements) and the date of store opening creates an unusual situation. We recommend consulting with Counsel to discuss whether it would be beneficial to amend the Contract to realign Agreement Year dates to coincide with dates of operation. This would alleviate the timing issues with all annual requirements. Alternatively, the Authority could discuss with Counsel the option of having both parties to sign a contract addendum recognizing that no annual reporting requirements (including the Annual Report, Concessionaire's Audit, Annual Reconciliation and Rent Adjustment, and Annual Security Deposit Adjustment) are required for Agreement Year 1 since no business was conducted during that Agreement Year. In this scenario, the Annual Reconciliation and Adjustment of Rent for Agreement Year 2 (which covered two months and three weeks of business) would be due according to the schedule provided within the Contract, as would the Annual Reconciliation and Adjustment of Rent for Agreement Year 3 and all future years.

Additionally, we recommend that the Authority require the Concessionaire to submit their Annual Reconciliation and Adjustment of (Paid) Rent going forward no later than August 30 of each year, or by the date specified by any future contract amendments.

#### Authority Response

The Authority, along with the Pasley Group (consultants) will work with the concessionaire to ensure they understand their lease requirements and due dates. A schedule for when all items can be address will be created by December 15, 2024. In addition, the consultants are assisting the RevM team in updating and standardizing processes which will identify concessionaire lease non-compliance on a timely basis.



## Security Deposit Annual Adjustment

<b>5.</b>	<b>Finding</b>	The Concessionaire has not completed the required Annual Security Deposit Adjustments.
	<b>Recommendation</b>	We recommend consulting with Counsel and the Concessionaire to create a mutually acceptable solution.
	<b>Risk Rating</b>	High

Per Section 2.5.A of the Contract, the Concessionaire should have submitted an initial Security Deposit in the amount of \$20,000 upon the date of Contract execution (July 23, 2021), and this amount should have been adjusted each July 1 to an amount equal to one-fourth of all fees and charges paid to the OIAA during the previous Agreement Year (Section 2.5.B).

Upon inquiry with the Authority, we learned that the initial security deposit has not been paid, nor have annual adjustments been made.

Normally, when an initial security deposit was missed and enough subsequent time has elapsed to require an annual adjustment, we would recommend that the adjusted amount be submitted rather than the initial agreed-to security deposit amount. However, this is a unique situation due to Contract language creating two date misalignments, as outlined below:

1. The requirement to adjust the security deposit is not aligned to the end of the Agreement Year. The security deposit adjustment is due July 1 of each year, and the new amount is based on the previous Agreement Year (see Section 2.5 of the Contract). On each July 1, the previous Agreement Year is not the one that ends 30 days after the Security Deposit Annual Adjustment takes place, rather it is the Agreement Year that ended on July 31 of the year prior, resulting in a security deposit adjustment that is based upon financials that are almost a year old.
2. The store opened almost two years after the Contract was executed, and Agreement Years were determined by the date of Contract execution rather than store opening. This created a situation where Agreement Year 1 ran from July 23, 2021 to July 31, 2022; Agreement Year 2 ran from August 1, 2022 to July 31, 2023; and Agreement Year 3 ran from August 1, 2023 to July 31, 2024—even though the store did not open until May 10, 2023. As a result, the first Contract requirement for Annual Security Deposit Adjustment (due on July 1, 2022) came due before the store opened and before there was an Agreement Year to base the adjustment upon, theoretically creating a reduction in the security deposit to \$0 due. Likewise, the second Annual Security Deposit Adjustment (due on July 1, 2023) was based on the Agreement Year ending on July 31, 2022 (Agreement Year 1), resulting in a \$0 security deposit as the store was not open during that time period. The third Annual Security Deposit Adjustment (due July 1, 2024)—the one which determines the current amount of security deposit which should be in place today—was based on the Agreement Year ending on July 31, 2023 (Agreement Year 2), resulting in the current Adjusted Security Deposit calculation to be based on two months of business rather than an entire year.

It appears this was an unintended consequence of the Contract language used, and not a true representation of the Parties' contracting intent. Thus, we recommend that OIAA consider working with Counsel and the Concessionaire to create a mutually acceptable solution. One option might be to create an amendment to the Contract that aligns the Security Deposit Annual Adjustment date to the Agreement Year Date, making the Annual Security Deposit Adjustment due no later than 90 days



after the end of each Agreement Year, and to ask that the Concessionaire submit the previously agreed-upon Initial Security Deposit of \$20,000 in the meantime until the next Annual Security Deposit Adjustment that is based upon a full Agreement Year can be calculated.

<b>Authority Response</b>	The Finance Division will invoice the concessionaire for the required amount of the security deposit by December 15, 2024 in the most recent amount due. The Pasley Group will notify tenants prior to the invoice. Going forward, our lease management system (Propworks) will be instrumental in tracking and maintaining contract compliance. In addition, processes will be developed to ensure that new locations will not be allowed to open without the required security deposits, franchise agreements and other lease requirements.
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## C. ONE-TIME OR ON-DEMAND DELIVERABLES

### Initial Security Deposit

<b>6.</b>	<b>Finding</b>	The Concessionaire did not submit their initial Security Deposit.
	<b>Recommendation</b>	We recommend consulting with Counsel and the Concessionaire to create a mutually acceptable solution.
	<b>Risk Rating</b>	Critical

Per Section 2.5.A of the Contract, the Concessionaire should have submitted an initial Security Deposit in the amount of \$20,000 upon the date of Contract execution (July 23, 2021), and this amount should have been adjusted each July 1 to an amount equal to one-fourth of all fees and charges paid to the OIAA during the previous Agreement Year (Section 2.5.B).

Upon inquiry with the Authority, we learned that the initial security deposit has not been paid, nor have annual adjustments been made.

Normally, when an initial security deposit was missed and enough subsequent time has elapsed to require an annual adjustment, we would recommend that the adjusted amount be submitted rather than the initial agreed-to security deposit amount. However, this is a unique situation due to Contract language creating two date misalignments, as outlined below:

1. The requirement to adjust the security deposit is not aligned to the end of the Agreement Year. The security deposit adjustment is due July 1 of each year, and the new amount is based on the previous Agreement Year (see Section 2.5 of the Contract). On each July 1, the previous Agreement Year is not the one that ends 30 days after the Security Deposit Annual Adjustment takes place, rather it is the Agreement Year that ended on July 31 of the year prior, resulting in a security deposit adjustment that is based upon financials that are almost a year old..
2. The store opened almost two years after the Contract was executed, and Agreement Years were determined by the date of Contract execution rather than store opening. This created a situation where Agreement Year 1 ran from July 23, 2021 to July 31, 2022; Agreement Year 2 ran from August 1, 2022 to July 31, 2023; and Agreement Year 3 ran from August 1, 2023 to July 31, 2024—even though the store did not open until May 10, 2023. As a result, the first Contract requirement for Annual Security Deposit Adjustment (due on July 1, 2022) came due before the store opened and before there was an Agreement Year to base the adjustment upon, theoretically



creating a reduction in the security deposit to \$0 due. Likewise, the second Annual Security Deposit Adjustment (due on July 1, 2023) was based on the Agreement Year ending on July 31, 2022 (Agreement Year 1), resulting in a \$0 security deposit as the store was not open during that time period. The third Annual Security Deposit Adjustment (due July 1, 2024)—the one which determines the current amount of security deposit which should be in place today—was based on the Agreement Year ending on July 31, 2023 (Agreement Year 2), resulting in the current Adjusted Security Deposit calculation to be based on two months of business rather than an entire year.

It appears this was an unintended consequence of the Contract language used, and not a true representation of the Parties' contracting intent. Thus, we recommend that OIAA consider working with Counsel and the Concessionaire to create a mutually acceptable solution. One option might be to create an amendment to the Contract that aligns the Security Deposit Annual Adjustment date to the Agreement Year Date, making the Annual Security Deposit Adjustment due no later than 90 days after the end of each Agreement Year, and ask that the Concessionaire submit the previously agreed-upon initial security deposit of \$20,000 in the meantime until the next Annual Security Deposit Adjustment that is based upon a full Agreement Year can be calculated.

**Authority Response**

The Finance Division will invoice the concessionaire for the most recent required amount of the security deposit by December 15, 2024, while the Pasley Group will assist in communicating to the tenant. Going forward, our lease management system (Propworks) will be instrumental in tracking and maintaining contract compliance. In addition, processes will be developed to ensure that new locations will not be allowed to open without the required security deposits, franchise agreements and other lease requirements.

**Health Inspections**

<b>7.</b>	<b>Finding</b>	The Concessionaire has not provided copies of Health Inspection Reports.
	<b>Recommendation</b>	As required by Section B.16 of Contract Exhibit H, the Concessionaire should submit a copy of Health Inspections within five days of the inspection and notify OIAA's CEO immediately upon failing an inspection. Upon receipt of each Monthly Report, OIAA should ask the Concessionaire whether any Health Inspections took place that month and should request copies of all Health Inspection Reports. OIAA should maintain records of the Concessionaire's monthly responses, as well as any Health Inspection Reports received, to ensure lease compliance.
	<b>Risk Rating</b>	High

Section B.16 of Contract Exhibit H requires the Concessionaire to provide OIAA with copies of Health Inspection Reports within five days of inspection and to notify the OIAA CEO in writing immediately upon a failed Health Inspection. OIAA's Director of Revenue Strategies stated they were unaware of any such submissions. It is unclear whether, or how often, the Department of Health has inspected the Concessionaire's location, or whether the location has ever failed a Health Inspection.

Upon receipt of each Monthly Report, OIAA should ask the Concessionaire whether any Health Inspections took place that month and should request copies of all Health Inspection Reports. OIAA should maintain records of the Concessionaire's monthly responses, as well as any Health Inspection Reports received, to ensure lease compliance.



**Authority Response**

All concession's F&B locations received an EHS Inspection in August 2024. Members of the Concessions Team escorted the inspectors. Prior to this, it is uncertain when the last EHS Inspections occurred. Submitting EHS Inspection results and complaints were addressed at the Sept 2024 Concessions Partnering Meeting and individual Business meetings. This topic will be a standard for all Partnering and business meetings going forward. Additional processes will be developed to ensure adherence to this provision.

### Written Complaints

8.	<b>Finding</b>	The Concessionaire has not provided copies of written complaints and responses; however, it is unclear whether the Concessionaire is not forwarding them as required or there simply have not been any complaints.
	<b>Recommendation</b>	As required by Section B.6 of the Contract Exhibit H, the Concessionaire should respond in writing to all written complaints and provide copies of the written complaint and response to OIAA's CEO within 48 hours. Upon receipt of each Monthly Report, OIAA should ask the Concessionaire for copies of all written complaints received that month, along with the Concessionaire's responses, to ensure lease compliance. The Concessionaire's monthly responses should be recorded for recordkeeping purposes.
	<b>Risk Rating</b>	Medium

Section B.6 of Contract Exhibit H requires the Concessionaire to respond to all written complaints in writing, within 48 hours of receipt, and to provide a copy of the complaints and responses to the OIAA's CEO. Upon inquiry, the OIAA's Director of Revenue Strategies stated they were unaware of any such complaints; however, it is unclear whether the Concessionaire is not forwarding them as required or there simply have not been any complaints.

Upon receipt of each Monthly Report, OIAA should ask the Concessionaire for copies of all written complaints received that month, along with the Concessionaire's responses, to ensure lease compliance. The Concessionaire's monthly responses should be recorded for recordkeeping purposes.

**Authority Response**

Submitting written customer complaints and responses were addressed at the Sept 2024 Concessions Partnering Meeting and individual Business meetings. This topic will be a standard for all Partnering and business meetings going forward. Additional processes will be developed to ensure adherence to this provision.





## APPENDIX: REVIEWED DOCUMENTS LIST

DATE	DOCUMENT
07/22/2021	ONT-20-10015_JDDA (Contract)
Oct 2023	JDDA Concession Management, Inc. CINV-14281 (October 2023 Utilities Invoice)
Oct 2023	October Utility Invoices JDDA (October 2023 Utilities Charges Documentation)
Oct 2023	JDDA Concession Management, Inc. CINV-14177 (October 2023 Percentage Rent Invoice)
Oct 2023	Chick-Fil-A Sales Report Oct 2023 (Monthly Report)





*Proprietary & Confidential*  
FACT VALIDATION REPORT

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# Ontario International Airport Authority

**RMS ENTERPRISES, LLC**

April 10, 2024

Moss Adams LLP  
999 Third Avenue, Suite 2800  
Seattle, WA 98104  
(206) 302-6500



This report is intended for the internal use of the Ontario International Airport Authority, and may not be provided to, used, or relied upon by any third parties.

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# I. EXECUTIVE SUMMARY

## A. SUMMARY OF RESULTS

Moss Adams LLP (we, Moss Adams) conducted a compliance audit of the Ontario International Airport Authority's (the OIAA, the Authority) contract with RMS Enterprises, LLC d/b/a Subway (the Concessionaire) for food and liquor concessions at the Ontario International Airport during the period of October 1 through October 31, 2023. The goal of the audit was to validate that the Concessionaire had carried out their responsibilities as defined by the original agreement named ONT-20-10016\_RMS (the Contract).

The following table summarizes the extent to which the Concessionaire was noncompliant with contract requirements according to the procedures performed. The following findings and recommendations are necessary to ensure future contract compliance, as detailed further in Section III.

FINDINGS AND RECOMMENDATIONS		
Monthly Deliverables		Risk Rating
<b>Monthly Report</b>		
<b>1 Finding</b>	Although an electronic submission was provided, the Concessionaire did not deliver a written copy of the October 2023 Monthly Report.	Low
<b>Recommendation</b>	As required by Section 3.49.A of the Contract, in addition to electronic submission the Concessionaire should deliver a written copy of the Monthly Report to the OIAA at the address specified in Section 2.7. The OIAA should consider enforcing the applicable late fee per Contract Section 3.49.B.	
Annual Deliverables		Risk Rating
<b>Annual Report</b>		
<b>2 Finding</b>	The Concessionaire did not prepare and submit a certified annual financial statement to the Authority for Years 1 or 2.	Critical
<b>Recommendation</b>	As required by Section 3.49.C of the Contract, the Concessionaire should submit Annual Reports containing a certified opinion as to the accuracy of the submitted Monthly Reports, in a format and detail satisfactory to the OIAA. The OIAA should consider enforcing the applicable late fee per Contract Section 3.49.D.	
<b>Concessionaire's Audit (Annual Audit)</b>		
<b>3 Finding</b>	The Concessionaire did not submit their Concessionaire's Audits (Annual Audits)	Critical
<b>Recommendation</b>	The Concessionaire should submit a Concessionaire's Audit (Annual Audit) for Years 1 and 2 that complies with the contractual requirements outlined in Section 3.9.A of the Contract. The OIAA should consider performing the audit directly as allowable per Contract.	



FINDINGS AND RECOMMENDATIONS		
<b>Annual Reconciliation and Adjustment of (Paid) Rent</b>		
<b>4 Finding</b>	The Concessionaire did not complete their Annual Reconciliation and Adjustment of (Paid) Rent.	Critical
<b>Recommendation</b>	As required by Section 2.3.C of the Contract, the Concessionaire should reconcile the amount of Rent paid with that owed under the terms of the Contract for Years 1 and 2, settling over/under payments.	
<b>Annual Readjustment of Security Deposit</b>		
<b>5 Finding</b>	The Concessionaire did not adjust their Security Deposit for Years 1 or 2.	High
<b>Recommendation</b>	As required by Section 2.5.B of the Contract, the Concessionaire should submit the initial required Security Deposit of \$30,000 and when the Agreement Year 2 Annual Report is available in July, an adjustment to the Security Deposit should be made equal to one-fourth of all fees and charges paid to the OIAA for that Agreement Year. Annual adjustments should continue July 1 for every year moving forward.	
<b>One-Time or On-Demand Deliverables</b>		<b>Risk Rating</b>
<b>Initial Security Deposit</b>		
<b>6 Finding</b>	The Concessionaire did not submit their initial Security Deposit.	Critical
<b>Recommendation</b>	As required by Section 2.5.A of the Contract, the Concessionaire should submit their initial Security Deposit in the amount of \$30,000 to the OIAA.	
<b>Health Inspections</b>		
<b>7 Finding</b>	The Concessionaire has not provided copies of Health Inspection Reports.	High
<b>Recommendation</b>	As required by Section B.16 of Contract Exhibit H, the Concessionaire should submit a copy of Health Inspections within five days of the inspection and notify the CEO immediately upon failing an inspection. Upon submission of each Monthly Report, the OIAA should ask the Concessionaire if any Health Inspection Reports have been received for the month to ensure lease compliance. The Concessionaire's response should be recorded for recordkeeping purposes.	
<b>Written Complaints</b>		
<b>8 Finding</b>	The Concessionaire has not provided copies of written complaints and responses; however, it is unclear whether the Concessionaire is not forwarding them as required or whether there is simply have not been any complaints.	Medium



FINDINGS AND RECOMMENDATIONS	
<b>Recommendation</b>	As required by Section B.6 of the Contract Exhibit H, the Concessionaire should respond in writing to all written complaints, and provide copies of the written compliant and response to OIAA's CEO within 48 hours. Upon submission of each Monthly Report, the OIAA should ask the Concessionaire if any complaints have been received for the month to ensure lease compliance. The Concessionaire's response should be recorded for recordkeeping purposes.

## B. SCOPE AND METHODOLOGY

The goal of our compliance assessment of the Authority's food and liquor concessions contract with the Concessionaire was to validate that the Concessionaire had performed all contractual obligations.

As requested by the OIAA, we also conducted a lookback review on any findings where past due amounts would be applicable to help the OIAA understand the total impact of our findings.

We conducted our review in four phases:

1. **Project Initiation and Management:** We created our compliance assessment plan by identifying documents to review and ensuring that regular reporting channels were established to communicate project questions, project status, and facilitate overall project management.
2. **Fact-Finding:** We reviewed documentation and performed detailed testing to obtain the most currently available information and insights.
  - Document Review:
    - We reviewed all contract documents, including any amendments, to first identify the Concessionaire's contractual obligations, which are outlined below.
    - We then reviewed all documents received from the Concessionaire to validate compliance with said obligations. These materials included Percentage Rent payments, monthly reports, and financial statements.
    - Any compliance questions were directed to the OIAA's Director of Revenue and Strategies, as noted throughout our report.
  - Monthly Requirements:
    - Accurately calculating and remitting Monthly Rent (Section 2.3.A of the Contract).
    - Accurately submitting the Monthly Report (Section 3.49.A).
    - Accurately calculating and remitting monthly Support Space charges (Section 2.4.A).
    - Reimbursing the Authority in full for monthly Utilities charges (Section 2.8).
  - Annual Requirements:
    - Annual reporting to Airport Concessions Disadvantaged Business Enterprise (ACDBE) Program (Section 3.8.A.2).
    - Providing an Annual Report that conforms to contractual requirements (Section 3.49.C).
    - Providing a Concessionaire's Audit (Annual Audit) that conforms to contractual requirements (Section 3.9.A).
    - Providing an Annual Reconciliation and Adjustment of (paid) Rent (Section 2.3.C).



- Accurately readjusting Support Space Rent (Section 2.4.A).
- Accurate readjustment of Security Deposit (Section 2.5.B).
- o One-Time and On-Demand Requirements:
  - Submitting initial Security Deposit (Section 2.5.A).
  - Submitting Department of Health Inspection Reports within five days; notifying the OIAA's CEO immediately upon a failed Health Inspection (Exhibit H, Section B.16).
  - Installing access prevention and surveillance devices as required, and granting OIAA access (Section 3.4.F).
  - Obtaining and properly displaying vehicle ID permits (Section 3.4.G).
  - Responding to written complaints in writing within 48 hours; providing the OIAA's CEO with copies (Exhibit H, Section B.6).
  - Providing proof of monthly grease trap cleaning and maintenance to OIAA within seven days of request (Exhibit E, Section 10).
- 3. **Analysis:** We evaluated the extent to which the Concessionaire complied with the Contract requirements as identified during our fact-finding phase outlined above.
- 4. **Reporting:** We concluded our work by reviewing draft findings and recommendations with the Authority to confirm the status of the recommendations.

A table listing all reviewed documents has been included in the Appendix.

This engagement was performed in accordance with the Standards for Consulting Services established by the American Institute of Certified Public Accountants. The scope of this engagement is outlined in the body of our report. This report was developed based on information from our review of contract documents, utility statements, invoices, financial statements, and the Concessionaire's statement of sales.

## C. FUTURE CONSIDERATIONS

### Conduct Validation of Annual Report

We were **unable** to validate the accuracy of Rent calculations or Rent paid. The OIAA should exercise its authority granted under Section 3.49.C of the Contract to require that the Annual Reports for Agreement Years 1 and 2 be submitted in a format that provides monthly detail. Once the Annual Report has been received in the format and detail satisfactory to the Authority, we recommend completing a compliance review to validate self-reported monthly Gross Revenues and Rent paid.

## D. COMMENDATIONS

We would like to thank the Authority for their responsiveness and thoroughness during this Vendor Contract Compliance Review. It is important to note that while many of the current Finance, Revenue Management, and Concessions team members were not part of the original vendor contract negotiation process, and have inherited pre-existing compliance issues, they are working proactively to address them. These staff members have been receptive to audit findings, valuing the information as a way to identify and prioritize necessary improvements. Their enthusiastic support for the process has played an essential role in the success of our assessment.





## II. BACKGROUND

The Authority engaged its internal auditor, Moss Adams, to conduct an audit of its vendor contract monthly payments. The Authority contracted with the vendor, RMS Enterprise LLC d/b/a Subway (the Concessionaire), to provide food concession services to patrons of the OIAA. Key elements of the Contract included the following provisions:

- Gross Revenues (excluding sales and excise taxes and other monies resulting from conditions described in Contract Section 1.14) should be accounted for accurately to provide a basis for establishing a Percentage Rent equal to a percent of Gross Revenue.
  - Section 2.3 sets Percentage Rent as 17% of monthly Gross Revenues.
  - As the audited financial statements do not provide monthly detail, we were unable to reliably review revenue calculations and assess the accuracy of remittances to the Authority.
  - Reviewing what was provided, we evaluated the accurateness of the percentage used to determine the amount of monthly Percentage Rent, as well as the accurateness of the Percentage Rent calculation.
- A Monthly Report must be submitted concurrent with each monthly Rent payment.
  - Section 3.49A of the Contract requires the Concessionaire to submit a Monthly Report that summarizes activities and gross revenues.
  - This Monthly Report must be submitted electronically, with an additional hard copy delivered to 1923 E. Avion Street, Ontario, CA 91761.
- The Concessionaire is responsible for paying Utilities.
  - Section 2.8 of the Contract requires the Concessionaire to pay utilities invoiced by the Authority within 15 calendar days of invoice receipt.
- The Concessionaire is responsible for paying Support Space charges.
  - Section 2.4(A) of the Contract requires the Concessionaire to pay \$124.23 per square foot of leased Support Space that is not a contiguous part of the Leased Premises, prorated on a monthly basis.
  - This amount is to be annually adjusted each July 1 during the Agreement Term, based upon the Consumer Price Index for All Urban Consumers (CPI-U) for Los Angeles as published by the Department of Labor's Bureau of Labor Statistics.
- The Security Deposit must be adjusted annually.
  - Section 2.5 of the Contract set the initial Security Deposit at \$30,000 and requires the Concessionaire to, by July 1 of each year, adjust its Security Deposit to an amount equal to one-quarter of the total amount of all fees and charges paid to the OIAA over the previous Agreement Year.
- The Concessionaire must submit copies of Department of Health Inspections and notify the OIAA immediately upon failing an Inspection.
  - Section B.16 of the Contract's Exhibit H requires the Concessionaire to submit a copy of Health Inspections within five days of an Inspection and notify the OIAA's CEO immediately upon failing an Inspection.
- The Concessionaire must install, maintain, and operate access prevention and surveillance devices as requested by the OIAA.



- Section 3.4.F of the Contract requires the Concessionaire to install, maintain, and operate access prevention and surveillance devices as requested by the OIAA.
- The Concessionaire must respond in writing to all written complaints and provide copies of all associated written correspondence to the OIAA's CEO within 48 hours.
  - Section B.6 of Contract Exhibit H requires the Concessionaire to respond in writing to all written complaints within 48 hours of receipt and provide copies of all associated written correspondence to the OIAA's CEO.
- The Concessionaire must furnish proof of monthly cleaning and maintenance service on its grease traps to the OIAA's CEO within seven calendar days of the OIAA's request.
  - Section 10 of Contract Exhibit E requires the Concessionaire to furnish proof of monthly cleaning and maintenance serviced on its grease traps to the OIAA's CEO within seven calendar days of request.
- The Concessionaire must submit a Concessionaire's Audit (Annual Audit)
  - Section 3.9.A requires the Concessionaire to submit a Concessionaire's Audit (Annual Audit), conducted by a CPA, no later than 60 days following the last day of every Agreement Year. This Audit is to include all business transacted at the Airport during the preceding Agreement Year.
  - This Audit shall include:
    - An Audited Statement of Gross Revenues, submitted to the Airport Accounting Office by no later than 60 days following the last day of every Agreement Year.
    - A written statement to the OIAA stating that in the CPA's opinion, Rent and other required fees paid by the Concessionaire to the OIAA for the preceding Agreement Year were paid in accordance with the terms of the Contract.
    - Copies of any reports prepared by such CPA or by the Concessionaire's internal audit staff for the Concessionaire relating exclusively to the Contract, and specifically describing any strengths or weaknesses of internal fiscal controls.
    - A management letter prepared by such CPA for the Concessionaire relating exclusively to the Contract and specifically describing the Concessionaire's internal accounting controls as they relate to cash handling, processing of receipts, and security of cash at the Airport, based on examination and testing of such controls by such CPA, including a control analysis of the strengths and weaknesses of such controls.
  - If the Audit shows any discrepancy as compared to the amount of the Concessionaire's Gross Revenues as compared to those reported to the OIAA, the Concessionaire must pay the OIAA the difference, or the OIAA shall reimburse the Concessionaire as the case may be, within 30 calendar days following discovery of the discrepancy.
- The Concessionaire must provide an Annual Report.
  - Section 3.49.C of the Contract requires the Concessionaire to submit an Annual Report prepared by an independent CPA or the Concessionaire's Chief Financial Officer, to serve as a certified annual financial statement that sets forth all business transacted under the Agreement during the preceding Agreement Year.
  - This Annual Report must include, but is not necessarily limited to:
    - The Concessionaire's Gross Revenues
    - Rent
    - Other payments due to the OIAA
    - CPA's Audit or audit performed by the Concessionaire's Chief Financial Officer



- Examination of source documents from which Monthly Reports are based
  - Certified opinion as to the accuracy of the Concessionaire's submitted Monthly Reports
- This Annual Report shall be in a format and in detail satisfactory to the OIAA.
- This Annual Report is due no later than 60 calendar days following the last day of each Agreement Year.
- The Concessionaire must conduct an Annual Reconciliation and Rent Adjustment.
  - Section 2.3.C of the Contract requires the Concessionaire to reconcile Rent at the end of each Agreement Year, with Rent Adjustments required within 30 days after the approved Annual Report is sent to the OIAA (as required in Section 3.49.C).



### III. RESULTS

Based on the input gathered from document review and discussions with the Authority, we evaluated compliance with the Contract terms outlined in Section II above. Where noncompliance was found, we prepared findings and recommendations accordingly.

#### A. MONTHLY DELIVERABLES

##### Monthly Report

<b>1.</b>	<b>Finding</b>	Although an electronic submission was provided, the Concessionaire did not deliver a written copy of the October 2023 Monthly Report.
	<b>Recommendation</b>	As required by Section 3.49.A of the Contract, in addition to electronic submission the Concessionaire should deliver a written copy of the Monthly Report to the OIAA at the address specified in Section 2.7. The OIAA should consider enforcing the applicable late fee per Contract Section 3.49.B.
	<b>Risk Rating</b>	Low

Section 3.49.A of the Contract requires that the Concessionaire submit their Monthly Report, which supports their monthly Percentage Rent payments, both electronically and by mail to the address specified in Section 2.7: OIAA, Administration Building, 1923 E. Avion Street, Ontario, CA 91761.

Upon inquiry with the Authority, we learned that all Monthly Reports are only received electronically at this time. The Authority should remind the Concessionaire to submit their Monthly Report as required moving forward.

It should also be considered that Section 3.49.B provides for a \$10.00 late fee for each day that a Monthly Report is delinquent. Since the contractual requirements for delivery were not met, the Authority should take the option of enforcing this late fee into consideration.

<b>Authority Response</b>	<p>The Authority has the right, as outlined in the lease, to modify the form of submission of the monthly sales and revenues. The Authority will document the acceptable forms, paper and/or electronic by November 30, 2024.</p> <p>The Revenue Management (RevM) team recognizes that the leases are not standardized and some of the language may be antiquated, no longer applicable, or may need to be strengthened. RevM is currently working with consultants to evaluate and update the leases, if possible. In addition, the consultants are assisting the RevM team in updating and standardizing processes which will identify concessionaire lease non-compliance on a timely basis.</p>
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#### B. ANNUAL DELIVERABLES

##### Annual Report



2.	<b>Finding</b>	The Concessionaire did not prepare and submit a certified annual financial statement to the Authority for Years 1 or 2.
	<b>Recommendation</b>	As required by Section 3.49.C of the Contract, the Concessionaire should submit Annual Reports containing a certified opinion as to the accuracy of the submitted Monthly Reports, in a format and detail satisfactory to the OIAA. The OIAA should consider enforcing the applicable late fee per Contract Section 3.49.D.
	<b>Risk Rating</b>	Critical

Section 3.49.C of the Contract requires the Concessionaire to submit an Annual Report for the OIAA’s approval within 60 calendar days following the last day of each Agreement Year. This report must be prepared by an independent CPA or by the Concessionaire’s Chief Financial Officer in a format and detail satisfactory to the OIAA and shall serve as a certified annual financial statement of the Concessionaire’s Gross Revenues, Rent, and other payments due to the OIAA. Additionally, the Annual Report is required to provide a certified opinion as to the accuracy of the Concessionaire’s submitted Monthly Reports.

The Concessionaire has not submitted Annual Reports for Agreement Year 1 (due October 25, 2022), or Agreement Year 2 (due October 25, 2023).

We recommend that the Authority require the Concessionaire to submit their Year 1 and Year 2 Annual Reports to bring them into compliance, and to ensure that the Concessionaire submits an Annual Report for each year going forward.

Additionally, per Section 3.49.D if the Concessionaire is delinquent for 10 days or more in furnishing to the OIAA any Annual Report due under the Contract, the OIAA is entitled to a \$100.00 late fee each month, or partial month, that the report is delinquent. Since inaccurate reporting was provided, the Authority should take this fee into consideration.

<b>Authority Response</b>	The Authority will work with the concessionaire to ensure they understand their lease requirements and due dates. A schedule for when all items can be address will be created by December 15, 2024. In addition, the consultants are assisting the RevM team in updating and standardizing processes which will identify concessionaire lease non-compliance on a timely basis.
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## Concessionaire’s Audit (Annual Audit)

3.	<b>Finding</b>	The Concessionaire did not submit their Concessionaire’s Audits (Annual Audits).
	<b>Recommendation</b>	The Concessionaire should submit a Concessionaire’s Audit (Annual Audit) for Years 1 and 2 that complies with the contractual requirements outlined in Section 3.9.A of the Contract. The OIAA should consider performing the audit directly as allowable per Contract.
	<b>Risk Rating</b>	Critical

Section 3.9.A of the Contract requires the Concessionaire to remit a Concessionaire’s Audit (Annual Audit) no later than 60 days after the end of each Agreement Year, making the Year 1 Concessionaire’s Audit due on October 25, 2022 and Year 2 Audit due October 25, 2023. The Contract requires that this Annual Audit be completed by a CPA and that it contain: 1) an audited statement of Gross Revenues, 2) a written statement that in the CPA’s opinion Rent and other required fees paid in the preceding Agreement Year were done so in accordance with the Agreement term, 3) copies of any reports prepared by the CPA or the Concessionaire’s internal audit staff relating exclusively to the Contract that specifically describe any strengths and weaknesses of internal fiscal controls, and 4) a management letter prepared by the CPA specifically describing the Concessionaire’s internal accounting controls as they relate to cash handling, processing of receipts, and security of cash at the Airport based upon that CPA’s examination and testing (including an analysis of the strengths and weaknesses of such controls). In the event the Annual Audit shows any discrepancies, over or underpayments shall be reimbursed within 30 days of discovery.

We recommend that the Authority require the Concessionaire to submit their Year 1 and Year 2 Concessionaire’s Audits to bring them into compliance, and to ensure that the Concessionaire submits an annual Concessionaire’s Audit for each year going forward.

If the Concessionaire fails to perform this obligation, after 30 days’ notice by the OIAA the OIAA may employ an independent CPA to perform the required audit. In addition to any difference in Rent due the OIAA from such audit, the OIAA shall recover the entire cost of such audit plus a 15% administrative charge of the audit’s cost from the Concessionaire.

<b>Authority Response</b>	The Authority alongside the Pasley Group will work with the concessionaire to ensure they understand their lease requirements and due dates. A schedule for when all items can be addressed will be created by December 15, 2024. In addition, the consultants are assisting the RevM team in updating and standardizing processes which will identify concessionaire lease non-compliance on a timely basis.
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## Annual Reconciliation and Adjustment of (Paid) Rent

4.	<b>Finding</b>	The Concessionaire did not complete their Annual Reconciliation and Adjustment of (Paid) Rent.
	<b>Recommendation</b>	As required by Section 2.3.C of the Contract, the Concessionaire should reconcile the amount of Rent paid with that owed under the terms of the Contract for Years 1 and 2, settling over/under payments.
	<b>Risk Rating</b>	Critical

Section 2.3.C of the Contract requires the Concessionaire to reconcile the amount of Rent they paid to the Authority over the previous Agreement Year, making any over or underpayment adjustments within 30 days of the OIAA's approval of the Annual Report required under Section 3.49.C of the Contract.

As the Authority is still awaiting an Annual Report with monthly detail, it is unable to perform a reconciliation for Agreement Years 2022 and 2023. Upon receipt, these reconciliations should be performed.

<b>Authority Response</b>	The Authority, along with the Pasley Group (consultants) will work with the concessionaire to ensure they understand their lease requirements and due dates. A schedule for when all items can be address will be created by December 15, 2024. In addition, the consultants are assisting the RevM team in updating and standardizing processes which will identify concessionaire lease non-compliance on a timely basis.
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## Security Deposit Annual Adjustment

5.	<b>Finding</b>	The Concessionaire did not adjust their Security Deposit for Years 1 or 2.
	<b>Recommendation</b>	As required by Section 2.5.B of the Contract, the Concessionaire should submit the initial required Security Deposit of \$30,000 and when the Agreement Year 2 Annual Report is available in July, an adjustment to the Security Deposit should be made equal to one-fourth of all fees and charges paid to the OIAA for that Agreement Year. Annual adjustments should continue July 1 for every year moving forward.
	<b>Risk Rating</b>	High

Section 2.5.B of the Contract requires the Concessionaire to adjust its Security Deposit to an amount equal to one-fourth of the total amount of all fees and charges paid to the OIAA by the Concessionaire over the previous Agreement Year.

Upon inquiry with the Authority, we learned that no adjustments had been made to date as there is no current Security Deposit on file. The Authority should gather the initial Security Deposit of \$30,000 immediately, adjusted for Year 1 if the Year 1 Annual Report can be made available, and once the



Annual Report for Agreement Year 2 is received in July the Authority should prompt the Concessionaire to follow through with the Year 2 adjustment equal to one-fourth of all fees and charges paid to the OIAA during Agreement Year 2. The OIAA and the Concessionaire should work together to continue with annual Security Deposit Adjustments moving forward.

<b>Authority Response</b>	The Finance Division will invoice the concessionaire for the required amount of the security deposit by December 15, 2024 in the most recent amount due. The Pasley Group will notify tenants prior to the invoice. Going forward, our lease management system (Propworks) will be instrumental in tracking and maintaining contract compliance. In addition, processes will be developed to ensure that new locations will not be allowed to open without the required security deposits, franchise agreements and other lease requirements.
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### C. ONE-TIME OR ON-DEMAND DELIVERABLES

#### Initial Security Deposit

<b>6.</b>	<b>Finding</b>	The Concessionaire did not submit their initial Security Deposit.
	<b>Recommendation</b>	As required by Section 2.5.A of the Contract, the Concessionaire should submit their initial Security Deposit in the amount of \$30,000 to the OIAA.
	<b>Risk Rating</b>	Critical

Per Section 2.5.A of the Contract, the Concessionaire should have submitted an initial Security Deposit in the amount of \$30,000, and this amount should have been adjusted each July 1 to an amount equal to one-fourth of all fees and charges paid to the OIAA during the previous Agreement Year.

Upon inquiry with the Authority we learned that the initial security deposit has not been paid, and as follows, the annual adjustment for Year 1 was not made.

While the amount of the Security Deposit currently due is one-fourth of all fees and charges paid to the OIAA during Agreement Year 1, it is not possible to verify that amount until the Concessionaire submits their Annual Report for Year 1 which it has not yet done (see [Finding 2](#)). In the meantime, we recommend that the OIAA require the Concessionaire to submit at minimum the initial Security Deposit of \$30,000 that was due in 2021. Once the Annual Report for Agreement Year 1 has been submitted, this amount should be adjusted accordingly and the parties should work together to continue with annual adjustments moving forward.





**Authority Response**

The Finance Division will invoice the concessionaire for the most recent required amount of the security deposit by December 15, 2024, while the Pasley Group will assist in communicating to the tenant. Going forward, our lease management system (Propworks) will be instrumental in tracking and maintaining contract compliance. In addition, processes will be developed to ensure that new locations will not be allowed to open without the required security deposits, franchise agreements and other lease requirements.

## Health Inspections

7.	<b>Finding</b>	The Concessionaire has not provided copies of Health Inspection Reports.
	<b>Recommendation</b>	As required by Section B.16 of Contract Exhibit H, the Concessionaire should submit a copy of Health Inspections within five days of the inspection and notify the CEO immediately upon failing an inspection. Upon submission of each Monthly Report, the OIAA should ask the Concessionaire if any Health Inspection Reports have been received for the month to ensure lease compliance. The Concessionaire's response should be recorded for recordkeeping purposes.
	<b>Risk Rating</b>	High

Section B.16 of Contract Exhibit H requires the Concessionaire to provide OIAA with copies of Health Inspection Reports within five days of inspection and to notify the OIAA CEO in writing immediately upon a failed Health Inspection. OIAA's Director of Revenue Strategies stated they were unaware of any such submissions. It is unclear whether, or how often, the Department of Health has inspected the Concessionaire's Terminal 4 location, or whether the Terminal 4 location has ever failed a Health Inspection.

**Authority Response**

All concession's F&B locations received an EHS Inspection in August 2024. Members of the Concessions Team escorted the inspectors. Prior to this, it is uncertain when the last EHS Inspections occurred. Submitting EHS Inspection results and complaints were addressed at the Sept 2024 Concessions Partnering Meeting and individual Business meetings. This topic will be a standard for all Partnering and business meetings going forward. Additional processes will be developed to ensure adherence to this provision.



## Written Complaints

8.	<b>Finding</b>	The Concessionaire has not provided copies of written complaints and responses; however, it is unclear whether the Concessionaire is not forwarding them as required or whether there simply have not been any complaints.
	<b>Recommendation</b>	As required by Section B.6 of the Contract Exhibit H, the Concessionaire should respond in writing to all written complaints, and provide copies of the written complaint and response to OIAA's CEO within 48 hours. Upon submission of each Monthly Report, the OIAA should ask the Concessionaire if any complaints have been received for the month to ensure lease compliance. The Concessionaire's response should be recorded for recordkeeping purposes.
	<b>Risk Rating</b>	Medium

Section B.6 of Contract Exhibit H requires the Concessionaire to respond to all written complaints in writing, within 48 hours of receipt, and to provide a copy of the complaints and responses to the OIAA CEO. Upon inquiry, OIAA's Director of Revenue Strategies stated they were unaware of any such complaints; however, it is unclear whether the Concessionaire is not forwarding them as required or if there simply have not been any complaints.

### Authority Response

Submitting written customer complaints and responses were addressed at the Sept 2024 Concessions Partnering Meeting and individual Business meetings. This topic will be a standard for all Partnering and business meetings going forward. Additional processes will be developed to ensure adherence to this provision.

## APPENDIX: REVIEWED DOCUMENTS LIST

Date	Document
8/26/2023	ONT-20-10016_RMS
Oct 2023	RMS Enterprises – Subway – October 2023 Utilities
Oct 2023	RMS Enterprises – Subway – October 2023 Sales Report
10/31/2023	RMS Enterprises, LLC CINV-14190 – October Sales (Percentage Rent Invoice)
10/31/2023	RMS Enterprises, LLC CINV-14280 – October 2023 Sales (Utility Invoice)





*Proprietary & Confidential*

FINAL REPORT

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# Ontario International Airport Authority

SSP AMERICAN ONGT, LLC

March 6, 2024

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This report is intended for the internal use of the Ontario International Airport Authority, and may not be provided to, used, or relied upon by any third parties.

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# I. EXECUTIVE SUMMARY

## A. SUMMARY OF RESULTS

Moss Adams LLP (we, Moss Adams) conducted a compliance audit of Ontario International Airport Authority's (OIAA, the Authority) contract with SSP American ONGT, LLC (the Concessionaire) for food and liquor concessions during the period of October 1 through October 31, 2023. The goal of the audit was to validate that the Concessionaire had carried out the following monthly responsibilities as defined by the Concession Agreement dated January 26, 2023 (the Contract):

1. Submitting the required Monthly Food and Beverage Activity Report
2. Accurately calculating monthly Percentage Rent
3. Reimbursing the Authority monthly utilities charges
4. Reimbursing the Authority for Support Space

The following table summarizes the extent to which the Concessionaire was compliant with OIAA contract requirements according to the procedures performed. As additional monthly invoices are provided, this table will be updated until compliance is met. Noncompliant requirements are detailed further in Section III.

COMPLIANCE WITH CONTRACT REQUIREMENTS					
Evaluated Month	Monthly Food & Beverage Activity Report (Section 3.48(A))	Percentage Rent (Section 2.3)	Utilities (Section 2.8)	Support Space (Section 2.4(a))	Annual Requirements (Sections 2.3.C, 2.5.B, 3.9, and 3.48(C))
October 2023	Yes	Yes	Yes	No (See Finding No. 1 in the Results section below)	Unable to Assess (See Future Considerations section below)

As noncompliance was detected, we noted the following findings and recommendations necessary to ensure future contract compliance:

FINDINGS AND RECOMMENDATIONS	
Support Space	
1.	<p><b>Finding</b> The Concessionaire did not remit an October 2023 payment for Support Space. Upon inquiry with the Authority, it is unclear if the Contract's Support Space language was included in error.</p> <p><b>Recommendation</b> If determined to be applicable, as required by Section 2.4 of the Contract, the Concessionaire should remit monthly payment for Support Space at the rate of \$124.23 per square foot per annum, prorated on a monthly basis. If determined to be an error, a correction should be made via Contract Amendment.</p>



## B. FUTURE CONSIDERATIONS

### Conduct Validation of Annual Report

Percentage Rent compliance verification requires four steps: 1) verification of self-reported Gross Revenue accuracy, 2) verification that the correct percentage was used to calculate monthly Percentage Rent due, 3) verification of the accuracy of the Percentage Rent calculation, and 4) verification of the Percentage Rent amount remitted to the Authority.

We were able to verify steps number 2 and number 3 as follows:

- In accordance with Section 2.3 of the Contract's Fifth Amendment, Percentage Rent is calculated as 12% of monthly Gross Food Revenue plus 16% of monthly Gross Liquor Revenue.
- For the month of October 2023, the Concessionaire self-reported monthly Gross Revenues were:
  - Food \$656,990.31
  - Liquor \$382,683.84
- Percentage Rents were calculated as follows:
  - Food \$78,838.84 ( $\$656,990.31 \text{ Gross Revenues} \times 12\% = \$78,838.84$ )
  - Liquor \$61,229.41 ( $\$382,683.84 \text{ Gross Revenues} \times 16\% = \$61,229.41$ )
- Through these calculations, we were able to validate that the Concessionaire's calculations complied with Section 2.3 of the Contract's Fifth Amendment.

However, for steps 1 and 4, we were **unable** to validate the accuracy of the reported amounts without audited financial statements for comparison.

- Section 3.48(C) requires the Concessionaire to submit an Annual Report that serves as a certified annual financial statement, setting forth all business transacted under the Agreement during the preceding Agreement, within 60 days of Agreement Year end. This Annual Report is to serve as a certified annual financial statement. As the Concessionaire has not yet completed their first Agreement Year, this report is not yet available. Without it, we are unable to validate the accuracy of the self-reported Gross Revenue amounts or amount reported to be remitted to the Authority.

**Recommendation:** Once the Annual Report has been released, conduct a compliance review to validate reported amounts for Percentage Rent.

## C. SCOPE AND METHODOLOGY

Moss Adams LLP (we, Moss Adams) conducted a compliance audit of Ontario International Airport Authority's (OIAA, the Authority) contract with SSP American ONGT, LLC (the Concessionaire) for food and liquor concessions during the period of October 1 through October 31, 2023. The goal of the audit was to validate that the Concessionaire had carried out the following monthly responsibilities as defined by the Contract:

1. Submitting the required Monthly Food and Beverage Activity Report
2. Accurately calculating monthly Percentage Rent





3. Reimbursing the Authority monthly utilities charges
4. Reimbursing the Authority for Support Space

The following annual requirements defined within the Contract were not available to be examined for compliance, as the Concessionaire's locations have not yet been operating for an entire year:

1. Annual Security Deposit Adjustment
2. Annual Report
3. Annual Reconciliation and Adjustment
4. Annual Audit

First, we reviewed all contract documents to determine the Concessionaire's contractual obligations. A list of applicable contractual obligations may be found in Section II and a table listing all reviewed documents has been included in the Appendix.

We then reviewed the Concessionaire's October 2023 Monthly Food and Beverage Activity Report, which listed Gross Revenues and the amount of Percentage Rent paid for the month. Percentage Rent compliance verification requires four steps: 1) verification of self-reported Gross Revenue accuracy, 2) verification that the correct percentage was used to calculate monthly Percentage Rent due, 3) verification of the accuracy of the Percentage Rent calculation, and 4) verification of the Percentage Rent amount remitted to the Authority.

We were able to verify steps number 2 and number 3 as follows:

- In accordance with Section 2.3 of the Contract's Fifth Amendment, Percentage Rent is calculated as 12% of monthly Gross Food Revenue plus 16% of monthly Gross Liquor Revenue.
- For the month of October 2023, the Concessionaire self-reported monthly Gross Revenues were:
  - Food \$656,990.31
  - Liquor \$382,683.84
- Percentage Rents were calculated as follows:
  - Food \$78,838.84 ( $\$656,990.31 \text{ Gross Revenues} \times 12\% = \$78,838.84$ )
  - Liquor \$61,229.41 ( $\$382,683.84 \text{ Gross Revenues} \times 16\% = \$61,229.41$ )
- Through these calculations, we were able to validate that the Concessionaire's calculations complied with Section 2.3 of the Contract's Fifth Amendment.

However, for steps 1 and 4, we were **unable** to validate the accuracy of the reported amounts without audited financial statements for comparison.

- Section 3.48(C) requires the Concessionaire to submit an Annual Report that serves as a certified annual financial statement, setting forth all business transacted under the Agreement during the preceding Agreement, within 60 days of Agreement Year end. This Annual Report is to serve as a certified annual financial statement. As the Concessionaire has not yet completed their first Agreement Year, this report is not yet available. Without it, we are unable to validate the accuracy of the self-reported Gross Revenue amounts or amount reported to be remitted to the Authority.



Finally, we reviewed the utility statement provided by the Authority, which outlined utility charges and utility payments remitted for the month of October 2023. The Authority charged \$13,208.95 for October 2023 utilities. We noted that according to the utility statement the Concessionaire only remitted \$13,208.94—a \$00.01 variance—however a variance of this small amount may be attributed to rounding and is of minimal differential, therefore no exceptions were noted as a result.

This engagement was performed in accordance with the Standards for Consulting Services established by the American Institute of Certified Public Accountants. The scope of this engagement is outlined in the body of our report. This report was developed based on information from our review of contract documents, utility statements, and the Concessionaire’s statement of sales.

**Commendation:** We would like to thank the Authority for their responsiveness and thoroughness during this Vendor Contract Compliance Review. It is important to note that while many of the current Finance, Revenue Management, and Concessions team members were not part of the original vendor contract negotiation process, and have inherited pre-existing compliance issues, they are working proactively to address them. These staff members have been receptive to audit findings, valuing the information as a way to identify and prioritize necessary improvements. Their enthusiastic support for the process has played an essential role in the success of our assessment.



## II. BACKGROUND

The Authority engaged its internal auditor, Moss Adams, to conduct an audit of its vendor contract monthly payments. The Authority contracted with the vendor, SSP ONGT America, LLC (the Concessionaire), to provide food and liquor concession services to patrons of OIAA. Key elements of the Contract included the following provisions:

- Gross Revenues (excluding sales and excise taxes and other monies resulting from conditions described in Contract Section 1.14) should be accounted for accurately to provide a basis for establishing a Percentage Rent equal to a percent of Gross Revenue.
  - Due to a lack of audited financial statements, we were unable to reliably review revenue calculations and assess the accuracy of remittances to the Authority.
  - Reviewing what was provided, we evaluated the accurateness of the percentage used to determine the amount of monthly Percentage Rent, as well as the accurateness of the Percentage Rent calculation.
- Percentage Rent is determined by the dollar amount of monthly Gross Revenues.
  - Section 2.3 of the Contract sets Percentage Rent as follows:
    - Percentage Rent for Food = 12%
    - Percentage Rent for Liquor = 16%
- A Monthly Food and Beverage Activity Report must be submitted concurrently with Percentage Report submission.
  - Section 3.48(a) of the Contract requires the Concessionaire to submit a monthly report that summarizes activities and gross revenues.
- Concessionaire is responsible for paying utilities.
  - Section 2.8 of the Contract requires the Concessionaire to pay utilities invoiced by the Authority.
- Concessionaire is responsible for paying Support Space charges.
  - Section 2.4(A) of the Contract requires the Concessionaire to pay \$124.23 per square foot of leased Support Space that is not a contiguous part of the Leased Premises, prorated on a monthly basis.
  - This amount is to be annually adjusted each July 1 during the Agreement Term.
- The Security Deposit must be adjusted annually.
  - Section 2.5 of the Contract requires the Concessionaire to, by July 1 of each year, adjust its Security Deposit to an amount equal to one-quarter of the total amount of all fees and charges paid to OIAA over the previous Agreement Year.
- Concessionaire must provide an Annual Report.
  - Per Section 3.48(C) of the Contract, the Concessionaire is required to submit an Annual Report prepared by an independent CPA or Concessionaire's Chief Financial Officer for each Agreement Year.
  - The Annual Report serves as a certified annual financial statement, setting forth all business transacted under the Agreement during the preceding Agreement Year.
  - The Annual Report is due no later than 60 calendar days following the last day of each Agreement Year.



- A Percentage Rent Reconciliation and Adjustment must be completed annually.
  - Section 2.3(C) of the Contract requires an annual reconciliation.
  - Adjustments for overpayment or underpayment must be made within 30 days.
- The Concessionaire may be required to conduct an annual Gross Revenues audit.
  - Section 3.9 of the Contract requires the Concessionaire to conduct an audit of Gross Revenues if requested by the Authority no later than 60 days prior to the end of any Agreement Year.
  - The audited statement of Gross Revenues must be submitted no later than 60 days following the last day of each requested Agreement Year.



### III. RESULTS

Based on the input gathered from document review and discussions with the Authority, we evaluated compliance with contract terms outlined in Section II above. Where noncompliance was found, we prepared findings and recommendations accordingly.

#### SUPPORT SPACE

##### Monthly Support Space Payment

<b>1.</b>	<b>Finding</b>	The Concessionaire did not remit payment for Support Space. Upon inquiry with the Authority, it is unclear if the Contract’s Support Space language was included in error.
	<b>Recommendation</b>	If determined to be applicable, as required by Section 2.4 of the Contract, the Concessionaire should remit monthly payment for Support Space at the rate of \$124.23 per square foot per annum, prorated on a monthly basis. If determined to be an error, a correction should be made via Contract Amendment.

Section 2.4(A) of the Contract requires the Concessionaire to pay \$124.23 per square foot of leased Support Space that is not a contiguous part of the Leased Premises, prorated on a monthly basis. This amount is to be annually adjusted each July 1 during the Agreement Term. The Concessionaire did not provide a monthly Support Space payment for October 2023.

Upon inquiry with the Authority, we learned that the existing concession agreements have not been updated and there are questions surrounding the intent to charge separately for Support Space, and whether the existing language was included in error during negotiations—all of which is under review by the executive team.

<b>Authority Response</b>	The Authority will invoice the concessionaire for the required amount of the monthly support space charges by December 15, 2024 based on the amount owed by tenant. Going forward, OIAA’s lease management system (Propworks) will be instrumental in tracking and maintaining contract compliance. In addition, the consultants are assisting the RevM team in updating and standardizing processes which will identify concessionaire lease non-compliance on a timely basis.
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## APPENDIX: REVIEWED DOCUMENTS LIST

Below we provide the list of documents we reviewed as provided by OIAA:

Date	Document
01/26/2023	SSP ONT-20-10033
01/19/2023	SSP – Terminal Concession Agreement SSP FINAL 19Jan2023
12/15/2022	SSP-ONT Firth Amendment ONT-7683_Package_3_Fully Executed
12/06/2023	Contracts Request – SSP (email confirming open locations)
EOM Oct 2023	SSP American Inc CINV-14276 Utilities
EOM Oct 2023	SSP America ONT Rent October 2023 Rent Report (“Monthly Food and Beverage Activity Report”)



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*Proprietary & Confidential*

FINAL REPORT

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# Ontario International Airport Authority

## HG ONT RETAILERS JV (HUDSON GROUP)

March 6, 2024

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Moss Adams LLP  
999 Third Avenue, Suite 2800  
Seattle, WA 98104  
(206) 302-6500



This report is intended for the internal use of the Ontario International Airport Authority, and may not be provided to, used, or relied upon by any third parties.

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# I. EXECUTIVE SUMMARY

## A. SUMMARY OF RESULTS

Moss Adams LLP (we, Moss Adams) conducted a compliance audit of the Ontario International Airport Authority's (OIAA, the Authority) contract with Hudson Group (HG) ONT Retailers JV d/b/a Hudson News (the Concessionaire) for news and gift concessions during the period of October 1 through October 31, 2023. The goal of the audit was to validate that the Concessionaire had carried out the following responsibilities as defined by the original News and Gift Concession Lease Agreement fully executed on August 22, 2017 (the Contract):

1. Accurately submitting the appropriate monthly Gross Revenue Report
2. Accurately calculating monthly Percentage Rent
3. Reimbursing the Authority in full for monthly utilities charges
4. Submitting monthly proof of grease trap cleaning and maintenance.

The following table summarizes the extent to which the Concessionaire was compliant with OIAA contract requirements according to the procedures performed. As additional monthly invoices are provided, this table will be updated until compliance is met. Non-compliant requirements are detailed further in below and in Section III.

COMPLIANCE WITH CONTRACT REQUIREMENTS						
Evaluated Month	Percentage Rent (3rd Amendment: Section 5)	Utilized Gross Revenues Report Form (Section 4.3 and Exhibit C)	Utility Payments (Section 4.11)	Proof of Grease Trap Cleaning (Section 9.10)	Annual Special Audit Report (Section 4.8)	Annual Security Deposit Adjustment (Section 13.1.2)
October 2023	Yes	No (see Observation No. 1 below)	Yes	N/A (Scope and Methodology below)	Yes (see Future Consideration below)	No (see Observation No. 2 below)

As noncompliance was detected, we noted the following findings and recommendations necessary to ensure future contract compliance:

FINDINGS AND RECOMMENDATIONS		
Monthly Revenue Reporting		
1.	<b>Finding</b>	The Concessionaire did not submit gross monthly revenue on the required Monthly Gross Revenues Report form.
	<b>Recommendation</b>	As required by Section 4.5 of the Contract, the Concessionaire should prepare and submit the Monthly Gross Revenues Report found in Exhibit C.



FINDINGS AND RECOMMENDATIONS		
Security Deposit Adjustment		
2.	<b>Finding</b>	The Concessionaire did not complete the annual Security Deposit Adjustment.
	<b>Recommendation</b>	As required by Section 13.1.2 of the Contract, the Concessionaire should adjust their Security Deposit to ensure it is equal to one-half of the total amount of fees and charges paid to the Authority over the previous year.

## B. FOR FUTURE CONSIDERATION

### Conduct Validation of Special Audit Report for Percentage Rent

Percentage Rent compliance verification requires four steps: 1) verification of self-reported Gross Revenue accuracy, 2) verification that the correct percentage was used to calculate monthly Percentage Rent due, 3) verification of the accuracy of the Percentage Rent calculation, and 4) verification of the Percentage Rent amount remitted to the Authority.

We were able to verify steps number 2 and number 3 as follows:

- In accordance with Section 5 of the Contract’s Third Amendment, Percentage Rent is calculated as a percentage of monthly Gross Revenues at the rate of 15% (if Gross Revenues are \$10 million or less), 17% (if Gross Revenues are above \$10 million but less than \$15,000,001), or 19% (if Gross Revenues exceed \$15 million).
- For the month of October 2023, the Concessionaire self-reported monthly Gross Revenue of \$1,157,834.82, which establishes a percentage rate of 15%. Thus, the October Percentage Rent due is \$173,675.22 ( $\$1,157,834.82 * 15\% = \$173,675.22$ ).
- Through these calculations, we were able to validate that the Concessionaire’s calculations complied with Section 5 of the Contract’s Third Amendment.

However, for steps 1 and 4, we were **unable** to validate the accuracy of the reported amounts without audited financial statements for comparison.

- Section 4.8 of the Contract requires the Concessionaire to submit an annual Special Audit Report of all Gross Revenues, prepared by an Independent Certified Public Accountant within 90 calendar days after the end of each Contract Year. As the current Special Audit Report only covers through August 2023, an audited financial report for the month of October 2023 is not yet available and we are unable to validate the accuracy of the self-reported Gross Revenue amounts or amount reported to be remitted to the Authority.

**Recommendation:** Once the August 2024 Special Annual Report has been released, conduct a compliance review to validate reported amounts for Percentage Rent. In addition, OIAA should consider reviewing the 2023 Special Annual Report to validate prior reported amounts.

## C. SCOPE AND METHODOLOGY

Moss Adams LLP (we, Moss Adams) conducted a compliance audit of the Ontario International Airport Authority’s (OIAA, the Authority) contract with Hudson Group (HG) ONT Retailers JV (the Concessionaire) for news and gift concessions during the period of October 1 through October 31,



2023. The goal of the audit was to validate that the Concessionaire had carried out the following responsibilities as defined by the Contract:

1. Accurately submitting the appropriate monthly Gross Revenue Report
2. Accurately calculating monthly Percentage Rent
3. Reimbursing the Authority in full for monthly utilities charges
4. Submitting monthly proof of grease trap cleaning and maintenance.

Additionally, we validated provision of the annual Special Audit Report, required within 90 days after the end of the contract year, and investigated the Concessionaire's compliance with the requirement to adjust their Security Deposit annually.

First, we reviewed all contract documents to determine the Concessionaire's contractual obligations. A list of applicable contractual obligations may be found in Section II and a table listing all reviewed documents has been included in the Appendix.

We then reviewed the Statement of Sales and Rent Due spreadsheet provided by the Concessionaire to the Authority, which outlined Gross Revenue and the amount of Percentage Rent paid for the month of October 2023. Percentage Rent compliance verification requires four steps: 1) verification of self-reported Gross Revenue accuracy, 2) verification that the correct percentage was used to calculate monthly Percentage Rent due (15%), 3) verification of the accuracy of the Percentage Rent calculation, and 4) verification of the Percentage Rent amount remitted to the Authority. As noted above in Future Considerations, steps 1 and 4 could not be verified. Finally, we examined the documentation provided by the Concessionaire to the Authority that reported monthly Gross Revenue to verify the correct form was utilized.

We also reviewed both utility statements provided by the Authority which outlined utility charges and utility payments remitted for the month of October 2023, and the annual Audit Report which provides an independent assessment of the completeness and accuracy of the Concessionaire's reported monthly Gross Revenues from September 2022 through end of August 2023.

Finally, we confirmed with The Authority that as the Concessionaire is retail-only, the requirement to provide monthly proof of grease trap cleaning and maintenance does not apply.

This engagement was performed in accordance with the Standards for Consulting Services established by the American Institute of Certified Public Accountants. The scope of this engagement is outlined in the body of our report. This report was developed based on information from our review of contract documents, utility statements, and the Concessionaire's statement of sales.

**Commendation:** We would like to thank the Authority for their responsiveness and thoroughness during this Vendor Contract Compliance Review. It is important to note that while many of the current Finance, Revenue Management, and Concessions team members were not part of the original vendor contract negotiation process, and have inherited pre-existing compliance issues, they are working proactively to address them. These staff members have been receptive to audit findings, valuing the information as a way to identify and prioritize necessary improvements. Their enthusiastic support for the process has played an essential role in the success of our assessment.



## II. BACKGROUND

The Authority engaged its internal auditor, Moss Adams, to conduct an audit of its vendor contract monthly payments. The Authority contracted with HG ONT Retailers, JV (the Concessionaire) to provide news and gift concession services to patrons of OIAA. Key elements of the Contract included the following provisions:

- Gross Revenues (excluding sales and excise taxes and other monies resulting from conditions described in Contract Section 1.26) should be accounted for accurately, to provide a basis for establishing a Percentage Rent equal to a percent of Gross Revenue.
  - Due to a lack of audited financial statements, we were unable to reliably review revenue calculations and assess the accuracy of remittances to the Authority.
  - Reviewing what was provided, we evaluated the accurateness of the percentage used to determine the amount of monthly Percentage Rent, as well as the accurateness of the Percentage Rent calculation.
- Percentage Rent is determined by the dollar amount of monthly Gross Revenue.
  - Section 5 of the Third Contract Amendment, effective February 24, 2022, requires the Concessionaire to pay Percentage Rent based upon monthly Gross Revenues as follows:
    - \$0 to <\$10,000,001 = 15.0% Percentage Rent
    - \$10,000,001 to \$15,000,000 = 17.0% Percentage Rent
    - \$15,000,001 and more = 19.0% Percentage Rent
- The Gross Revenue Report form should be submitted monthly.
  - Section 4.5 of the Contract states that “along with the Concessionaire’s payment of Rent, the Concessionaire shall submit a completed Monthly Gross Revenue Report form, as set forth in Exhibit C” and that the report shall capture all gross revenues related to operations during the prior month.
- The Concessionaire is responsible for paying utilities.
  - Section 4.11 of the Contract requires the Concessionaire to pay utilities invoiced by the Authority.
- Proof of grease trap cleaning and maintenance is required.
  - Per Section 9.10 of the Contract, the Concessionaire is required to furnish proof of monthly grease trap cleaning and maintenance. However, this requirement does not apply as the Authority confirmed that the Concessionaire is a retail-only outlet.
- An annual Special Audit Report is required.
  - Per Section 4.8 of the Contract, the Concessionaire is required to submit an annual Special Audit Report of all Gross Revenues, prepared by an independent Certified Public Accountant, within 90 calendar days after the end of each contract year.
- The Security Deposit should be adjusted yearly.
  - Section 13.1.2 of the Contract requires the Concessionaire to adjust the Security Deposit to an amount equal to one-half of the total amount of fees and charges paid to the Authority over the previous year. This must be completed annually.



### III. RESULTS

Based on the input gathered from document review and discussions with the Authority, we evaluated compliance with the contract terms outlined in Section II. Where noncompliance was found, we prepared findings and recommendations accordingly.

#### A. REVENUE REMITTED AND REVENUE CONTROLS

##### Monthly Revenue Reporting

<b>1.</b>	<b>Finding</b>	The Concessionaire did not submit gross monthly revenue on the required Monthly Gross Revenues Report form.
	<b>Recommendation</b>	As required by Section 4.5 of the Contract, the Concessionaire should prepare and submit the Monthly Gross Revenues Report found in Exhibit C.

Based on our review, the Concessionaire did not prepare and submit the required Monthly Gross Revenues Report form. Section 4.5 of the Contract requires the Concessionaire to complete and submit the Monthly Gross Revenues Report form, found in Exhibit C, along with their monthly rent payment. For the month of October 2023, the Concessionaire did not provide the required Monthly Gross Revenues Report form. Instead, they submitted an Excel spreadsheet detailing gross revenues. As this form is a contractual obligation, the Concessionaire should complete and submit the required Monthly Gross Revenues Report form, either in addition to or in lieu of the Excel spreadsheet for each month going forward.

<b>Authority Response</b>	<p>The Authority has the right, as outlined in the lease, to modify the form of submission of the monthly sales and revenues. The Authority will document the acceptable forms, paper and/or electronic by November 30, 2024.</p> <p>The Revenue Management (RevM) team recognizes that the leases are not standardized and some of the language may be antiquated, no longer applicable, or may need to be strengthened. RevM is currently working with consultants to evaluate and update the leases, if possible. In addition, the consultants are assisting the RevM team in updating and standardizing processes which will identify concessionaire lease non-compliance on a timely basis.</p>
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## B. SECURITY DEPOSIT ADJUSTMENT

### Security Deposit Adjustment

<b>2.</b>	<b>Finding</b>	The Concessionaire did not complete the annual Security Deposit Adjustment.
	<b>Recommendation</b>	As required by Section 13.1.2 of the Contract, the Concessionaire should adjust their Security Deposit to ensure it is equal to one-half of the total amount of fees and charges paid to the Authority over the previous year.

Under Section 13.1 of the Contract, the Concessionaire is required to post a Security Deposit of \$534,102.80, and per 13.1.2 this Security Deposit shall be adjusted annually to an amount equal to one-half of the total amount of all fees and charges paid to the Authority over the previous year. Commencement Date is defined in Section 4.2 of the Contract as the “Date of Substantial Completion of Concessionaire’s Improvements to all Assigned Areas.” As the Concessionaire’s most recent Annual Audit Report was for the year ended August 31, 2023 and audited reported revenues from September 2022 through August of 2023, the Commencement Date is more than a year in the past, making this required annual Security Deposit Adjustment overdue. Based on inquiry with OIAA, OIAA could not locate a security deposit or proof of a line of credit/bond for Hudson and they are actively working on this.

As required by the Contract, the Concessionaire should execute the annual Security Deposit Adjustment to an amount equal to one-half of the total amount of all fees and charges paid to the Authority over the previous year, including rent payments, utilities, and any other charges or fees.

<b>Authority Response</b>	The Finance Division will invoice the concessionaire for the required amount of the security deposit by December 15, 2024 in the most recent amount due. The Pasley Group will notify tenants prior to the invoice. Going forward, our lease management system (Propworks) will be instrumental in tracking and maintaining contract compliance. In addition, processes will be developed to ensure that new locations will not be allowed to open without the required security deposits, franchise agreements and other lease requirements.
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## APPENDIX: REVIEWED DOCUMENTS LIST

Below we provide the list of documents we reviewed as provided by OIAA:

Date	Document
11/1/2016	Hudson – Group (HG) ONT Retailers JV (Concessions Lease Agreement)
8/22/2017	Hudson – AGR First Amendment to HG ONT Retailers JV Concession Lease Agreement (Including Exhibit A-3)
8/22/2017	Hudson – Amendment No. 1 - Exhibit A-3
12/21/2021	Hudson – HG ONT Retailers JV Second Amendment (fully executed)
2/24/2022	Hudson – 3rd Amendment
8/31/2023	HG Ontario FS – Annual Audit Report for year ended 8/31/23
8/31/2023	Hudson Shared Space
EOM Oct 2023	2023-10 Sales Ontario (Sept and Oct 2023 Statement of Sales and Rent Due)
EOM Oct 2023	Hudson Group CINV-14274 – Utility 1
EOM Oct 2023	Hudson Group CINV-14274 – Utility 2





*Proprietary & Confidential*  
FACT VALIDATION REPORT

## Ontario International Airport Authority

**BATTER BOYS, INC.**  
**TERMINAL 2**

April 10, 2024

Moss Adams LLP  
999 Third Avenue, Suite 2800  
Seattle, WA 98104  
(206) 302-6500



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# I. EXECUTIVE SUMMARY

## A. SUMMARY OF RESULTS

Moss Adams LLP (we, Moss Adams) conducted a compliance audit of the Ontario International Airport Authority’s (the OIAA, the Authority) contract with Batter Boys, Inc. d/b/a Dunkin’ (the Concessionaire) for food and liquor concessions at their Terminal 2 (T2) location during the period of January 1, 2024 through January 31, 2024. The goal of the audit was to validate that the Concessionaire had carried out their responsibilities as defined by the original agreement named BatterBoysIncT2\_ONT-20-10017 (the Contract).

The following table summarizes the extent to which the Concessionaire was noncompliant with contract requirements according to the procedures performed. The following findings and recommendations are necessary to ensure future contract compliance, as detailed further in Section III.

FINDINGS AND RECOMMENDATIONS		
Monthly Deliverables		Risk Rating
<b>Monthly Report</b>		
<b>1 Finding</b>	Although an electronic submission was provided, the Concessionaire did not deliver a written copy of the January 2024 Monthly Report.	Low
<b>Recommendation</b>	As required by Section 3.49.A of the Contract, in addition to electronic submission the Concessionaire should deliver a written copy of the Monthly Report to the OIAA at the address specified in Section 2.7. The OIAA should consider enforcing the applicable late fee per Contract Section 3.49.B.	
<b>Monthly Support Space Payment</b>		
<b>2 Finding</b>	The Concessionaire did not remit payment for Support Space. Upon inquiry with the Authority, the Concessionaire is currently using approximately 68 square feet of support space within Terminal 2, resulting in an underpayment of \$703.97 in the month of January 2024 and a potential underpayment of \$3,656.10 in total.	Critical
<b>Recommendation</b>	As required by Section 2.4.A of the Contract, the Concessionaire should remit payment for Support Space utilized.	
<b>Monthly Utility Payment</b>		
<b>3 Finding</b>	The Concessionaire did not remit a January 2024 payment for Utilities.	Critical



FINDINGS AND RECOMMENDATIONS		
<b>Recommendation</b>	Per Section 2.8, the Concessionaire is required to pay for all utilities used. Because submeters for electricity and water have not yet been installed, the dollar amount of utilities being consumed is currently unknown. Once these charges are established, the Concessionaire should remit monthly utility charges and if past due utility payments can be determined, the OIAA should consider billing the Concessionaire accordingly.	
<b>One-Time or On-Demand Deliverables</b>		<b>Risk Rating</b>
<b>Franchise Agreement</b>		
<b>4 Finding</b>	The Concessionaire did not submit their Franchise Agreement.	Low
<b>Recommendation</b>	As required by Section 2.6.A of the Contract, the Concessionaire should submit their Franchise Agreement to the OIAA.	
<b>Health Inspections</b>		
<b>5 Finding</b>	The Concessionaire has not provided copies of Health Inspection Reports.	High
<b>Recommendation</b>	As required by Section B.16 of Contract Exhibit H, the Concessionaire should submit a copy of Health Inspections within five days of the inspection and notify the CEO immediately upon failing an inspection. Upon submission of each Monthly Report, the OIAA should ask the Concessionaire if any Health Inspection Reports have been received for the month to ensure lease compliance. The Concessionaire's response should be recorded for recordkeeping purposes.	
<b>Written Complaints</b>		
<b>6 Finding</b>	The Concessionaire has not provided copies of written complaints and responses; however, it is unclear whether the Concessionaire is not forwarding them as required or whether there is simply have not been any complaints.	Medium
<b>Recommendation</b>	As required by Section B.6 of the Contract Exhibit H, the Concessionaire should respond in writing to all written complaints, and provide copies of the written complaint and response to OIAA's CEO within 48 hours. Upon submission of each Monthly Report, the OIAA should ask the Concessionaire if any complaints have been received for the month to ensure lease compliance. The Concessionaire's response should be recorded for recordkeeping purposes.	

## B. SCOPE AND METHODOLOGY

The goal of our compliance assessment of the Authority's Terminal 2 food and liquor concessions contract with the Concessionaire was to validate that the Concessionaire had performed all contractual obligations.



As requested by the OIAA, we also conducted a lookback review on any findings where past due amounts would be applicable to help the OIAA understand the total impact of our findings.

We conducted our review in four phases:

1. **Project Initiation and Management:** We created our compliance assessment plan by identifying documents to review and ensuring that regular reporting channels were established to communicate project questions, project status, and facilitate overall project management.
2. **Fact-Finding:** We reviewed documentation and performed detailed testing to obtain the most currently available information and insights.
  - Document Review:
    - We reviewed all contract documents, including any amendments, to first identify the Concessionaire’s contractual obligations, which are outlined below.
    - We then reviewed all documents received from the Concessionaire to validate compliance with said obligations. These materials included Percentage Rent payments, monthly reports, and financial statements.
    - Any compliance questions were directed to the OIAA’s Director of Revenue and Strategies, as noted throughout our report.
  - Monthly Requirements:
    - Accurately calculating and remitting Monthly Rent (Section 2.3 of the Contract).
    - Accurately submitting the Monthly Report (Section 3.49.A).
    - Accurately calculating and remitting monthly Support Space charges (Section 2.4.A).
    - Reimbursing the Authority in full for monthly Utilities charges (Section 2.8).
  - Annual Requirements:
    - Accurately calculating and remitting Annual Percentage Rent (Sections 2.3.A and 2.3.B).
    - Providing an Annual Report that conforms to contractual requirements (Section 3.49A).
    - Providing a Concessionaire’s Audit (Annual Audit) that conforms to contractual requirements (Section 3.9.A).
    - Providing an Annual Reconciliation and Adjustment of (paid) Rent (Section 2.4.A).
    - Accurately readjusting Support Space Rent (Section 3.49.A).
    - Accurate readjustment of Security Deposit (Section 2.4.A).
  - One-Time and On-Demand Requirements:
    - Providing a Franchise Agreement (Section 2.6.A).
    - Submitting Department of Health Inspection Reports within five days; notifying the OIAA’s CEO immediately upon a failed Health Inspection (Exhibit H, Section B.16).
    - Installing access prevention and surveillance devices as required and granting the OIAA access (Section 3.4.F).
    - Obtaining and properly displaying vehicle ID permits (Section 3.4.G).
    - Completing repairs as directed (Section 2.9).
    - Responding to written complaints in writing within 48 hours; providing the OIAA’s CEO with copies (Exhibit H, Section B.6).
    - Providing proof of monthly grease trap cleaning and maintenance to the OIAA within seven days of request (Exhibit H, Section 10).



- Detailed Testing: We supplemented our assessment by recalculating reported MAG values, support space charges, and other values based on the data provided.
- 3. **Analysis:** We evaluated the extent to which the Concessionaire complied with the Contract requirements as identified during our fact-finding phase outlined above.
- 4. **Reporting:** We concluded our work by reviewing draft findings and recommendations with the Authority to confirm the status of the recommendations.

A table listing all reviewed documents has been included in the Appendix.

This engagement was performed in accordance with the Standards for Consulting Services established by the American Institute of Certified Public Accountants. The scope of this engagement is outlined in the body of our report. This report was developed based on information from our review of contract documents, utility statements, invoices, financial statements, and the Concessionaire's statement of sales.

## C. FUTURE CONSIDERATIONS

### Review Annual Deliverables

As the Concessionaire's Terminal 2 location has not been in operation long enough to prompt the Contract's annual requirements, the following do not yet apply and we were **unable** to assess compliance:

- Annual Percentage Rent
- Annual Report
- Concessionaire's Audit (Annual Audit)
- Annual Reconciliation and Adjustment of (Paid) Rent
- Annual Re-adjustment of Support Space Charges
- Annual Re-adjustment of Security Deposit

After a full year of operation, compliance with these requirements should be verified.

## D. COMMENDATIONS

We would like to thank the Authority for their responsiveness and thoroughness during this Vendor Contract Compliance Review. It is important to note that while many of the current Finance, Revenue Management, and Concessions team members were not part of the original vendor contract negotiation process, and have inherited pre-existing compliance issues, they are working proactively to address them. These staff members have been receptive to audit findings, valuing the information as a way to identify and prioritize necessary improvements. Their enthusiastic support for the process has played an essential role in the success of our assessment.





## II. BACKGROUND

The Authority engaged its internal auditor, Moss Adams, to conduct an audit of its vendor contract monthly payments. The Authority contracted with the vendor, Batter Boys, Inc. d/b/a Dunkin' (the Concessionaire), to provide food concession services to patrons of the OIAA. Key elements of the Contract include the following provisions:

- Gross Revenues (excluding sales and excise taxes and other monies resulting from conditions described in Contract Section 1.14) should be accounted for accurately, to provide a basis for establishing a Percentage Rent equal to a percent of Gross Revenue and a Minimum Annual Guarantee (MAG) equal to a percent of the prior Agreement Year's Rent.
  - Section 2.3. of the Contract requires the Concessionaire to remit monthly Rent that is the greater of Percentage Rent or MAG.
  - Section 2.3 of the Contract sets Percentage Rent as 8% of monthly Gross Revenues.
  - Section 2.3 of the Contract sets MAG as 85% of the prior Agreement Year's total Rent (defined as "any and all monetary obligations arising under this Agreement, including without limitation, Rent Minimum Annual Guarantee, Percentage Rent, insurance costs, maintenance costs, utilities, late charges, liquidated damages, interest, administrative fees, and any and all other monetary obligations of the Concessionaire hereunder" in Section 1.21 of the Contract).
  - As the audited financial statements do not provide monthly detail, we were unable to reliably review revenue calculations and assess the accuracy of remittances to the Authority.
  - Reviewing what was provided, we evaluated the accurateness of the percentage used to determine the amount of monthly Percentage Rent as well as the accurateness of the Percentage Rent calculation. We determined that the Percentage Rent (as calculated based upon self-reported monthly Gross Revenue) was greater than MAG (as calculated based upon the financial report submitted by the Concessionaire).
- A Monthly Report must be submitted concurrent with each monthly Rent payment.
  - Section 3.48(a) of the Contract requires the Concessionaire to submit a Monthly Report that summarizes activities and Gross Revenues.
  - This Monthly Report must be submitted electronically, with an additional hard copy delivered to 1923 E. Avion Street, Ontario, CA 91761.
- The Concessionaire is responsible for paying Utilities.
  - Section 2.8 of the Contract requires the Concessionaire to pay Utilities invoiced by the Authority within 15 calendar days of invoice receipt.
- The Concessionaire is responsible for paying Support Space charges.
  - Section 2.4(A) of the Contract requires the Concessionaire to pay \$120.84 per square foot of leased Support Space that is not a contiguous part of the Leased Premises, prorated on a monthly basis.
  - This amount is to be annually adjusted each July 1 during the Agreement Term, based upon the Consumer Price Index for All Urban Consumers (CPI-U) for Los Angeles as published by the Department of Labor's Bureau of Labor Statistics.
- The Security Deposit must be adjusted annually.
  - Section 2.5 of the Contract sets the initial Security Deposit at \$5,000 and requires the Concessionaire to adjust, by July 1 of each year, its Security Deposit to an amount equal to one-quarter of the total amount of all fees and charges paid to the OIAA over the previous Agreement Year.



- The Concessionaire must submit a copy of their Franchise Agreement.
  - Section 2.6.A of the Contract requires the Concessionaire to submit a copy of their Franchise Agreement within 60 days of execution of the Contract (by August 31, 2021).
- The Concessionaire must submit copies of Department of Health Inspections and notify the OIAA immediately upon failing an Inspection.
  - Section B.16 of the Contract's Exhibit H requires the Concessionaire to submit a copy of Health Inspections within five days of an inspection and notify the CEO immediately upon failing an Inspection.
- The Concessionaire must install, maintain, and operate access prevention and surveillance devices as requested by the OIAA.
  - Section 3.4.F of the Contract requires the Concessionaire to install, maintain, and operate access prevention and surveillance devices as requested by the OIAA.
- The Concessionaire must make repairs and replacements as required by the OIAA.
  - Section 2.9 of the Contract requires the Concessionaire to make repairs and replacements as required by the OIAA.
- The Concessionaire must respond in writing to all written complaints and provide copies of all associated written correspondence to the OIAA's CEO within 48 hours.
  - Section B.6 of Contract Exhibit H requires the Concessionaire to respond in writing to all written complaints within 48 hours of receipt and provide copies of all associated written correspondence to the OIAA's CEO.
- The Concessionaire must furnish proof of monthly cleaning and maintenance service on its grease traps to the CEO within seven calendar days of the OIAA's request.
  - Section 10 of Contract Exhibit E requires the Concessionaire to furnish proof of monthly cleaning and maintenance serviced on its grease traps to the OIAA's CEO within seven calendar days of request.
- The Concessionaire must submit an annual Concessionaire's Audit (Annual Audit)
  - Section 3.9.A of the Contract requires the Concessionaire to submit a Concessionaire's Audit report detailing "books and records... as they pertain to this Agreement, for each Agreement Year, or applicable portion thereof," submitted no later than 60 days following the last day of every Agreement Year—making Year 1's Audit due no later than August 30, 2022 and Year 2's Audit due no later than August 30, 2023. The Contract requires that this Audit be completed by a CPA.
  - This Audit shall include:
    - An Audited Statement of Gross Revenues, submitted to the Airport Accounting Office by no later than 60 days following the last day of every Agreement Year.
    - A written statement to the OIAA stating that in the CPA's opinion, Rent and other required fees paid by the Concessionaire to the OIAA for the preceding Agreement Year were paid in accordance with the terms of the Contract.
    - Copies of any reports prepared by such CPA or by the Concessionaire's internal audit staff for the Concessionaire relating exclusively to this Agreement, and specifically describing any strengths or weaknesses of internal fiscal controls.
    - A management letter prepared by such CPA for the Concessionaire relating exclusively to this Contract and specifically describing the Concessionaire's internal accounting controls as they relate to cash handling, processing of receipts and security of cash at the Airport, based on examination and testing of such controls by such CPA, including a control analysis of the strengths and weaknesses of such controls.



- If the Audit shows any discrepancy compared to the amount of the Concessionaire's Gross Revenues and compared to those reported to the OIAA, the Concessionaire must pay the OIAA the difference (or the OIAA shall reimburse the Concessionaire if appropriate) within 30 calendar days following discovery of the discrepancy.
- The Concessionaire must provide an Annual Report.
  - Section 3.49.C of the Contract requires the Concessionaire to submit an Annual Report prepared by an independent CPA or the Concessionaire's Chief Financial Officer, to serve as a certified annual financial statement that sets forth all business transacted under the Agreement during the preceding Agreement Year.
  - This Annual Report must include, but is not necessarily limited to:
    - The Concessionaire's Gross Revenues
    - Rent
    - Other payments due to the OIAA
    - CPA's Audit or audit performed by the Concessionaire's Chief Financial Officer
    - Examination of source documents from which Monthly Reports are based
    - Certified opinion as to the accuracy of the Concessionaire's submitted Monthly Reports
  - This Annual Report shall be in a format and in detail satisfactory to the OIAA.
  - This Annual Report is due no later than 60 calendar days following the last day of each Agreement Year: no later than August 30, 2022 for Year 1 and no later than August 30, 2023 for Year 2.
- The Concessionaire must conduct an Annual Reconciliation and Rent Adjustment.
  - Section 2.3.C of the Contract requires the Concessionaire to reconcile Rent at the end of each Agreement Year, with Rent Adjustments required within 30 days after the approved Annual Report is sent to the OIAA (as required in Section 3.49.C).
- The Concessionaire must submit Annual Percentage Rent if actual expense percentages are lower than the amount budgeted in the Contract.
  - Section 2.3.A.2 of the Contract requires the Concessionaire to conduct a reconciliation of actual expense percentages with the percentages budgeted in the Contract. If actual expenses are lower, the Concessionaire shall pay the savings realized (up to an additional 3% of annual Gross Revenues) to provide a total Percentage Rent of up to 11% of the annual Gross Revenues.
  - Percentages were budgeted as follows:
    - Payroll, Taxes, and Employee Benefits: 30%
    - Operating Expenses (Food and Paper): 31%
    - Utilities: 3%
    - General, Repairs, Maintenance, Admin, Insurance: 5%
    - Other Direct Expenses (Uniforms, Delivery Fees, Legal, Advertising Fund): 5%
  - Annual Percentage Rent shall be due at the end of each Agreement Year (July 1, 2022 for Year 1 and July 1, 2023 for Year 2.)



### III. RESULTS

Based on the input gathered from document review and discussions with the Authority, we evaluated compliance with the Contract terms outlined in Section II. Where noncompliance was found, we prepared findings and recommendations accordingly.

#### A. MONTHLY DELIVERABLES

##### Monthly Report

<b>1.</b>	<b>Finding</b>	Although an electronic submission was provided, the Concessionaire did not deliver a written copy of the January 2024 Monthly Report.
	<b>Recommendation</b>	As required by Section 3.49.A of the Contract, in addition to electronic submission the Concessionaire should deliver a written copy of the Monthly Report to the OIAA at the address specified in Section 2.7. The OIAA should consider enforcing the applicable late fee per Contract Section 3.49.B.
	<b>Risk Rating</b>	Low

Section 3.49.A of the Contract requires that the Concessionaire submit their Monthly Report, which supports their monthly Percentage Rent payments, both electronically and by mail to the address specified in Section 2.7: OIAA, Administration Building, 1923 E. Avion Street, Ontario, CA 91761.

Upon inquiry with the Authority, we learned that all Monthly Reports are only received electronically at this time. The Authority should remind the Concessionaire to submit their Monthly Report as required moving forward.

It should also be considered that Section 3.49.B provides for a \$10.00 late fee for each day that a Monthly Report is delinquent. Since the contractual requirements for delivery were not met, the Authority should take the option of enforcing this late fee into consideration.

<b>Authority Response</b>	<p>The Authority has the right, as outlined in the lease, to modify the form of submission of the monthly sales and revenues. The Authority will document the acceptable forms, paper and/or electronic by November 30, 2024.</p> <p>The Revenue Management (RevM) team recognizes that the leases are not standardized and some of the language may be antiquated, no longer applicable, or may need to be strengthened. RevM is currently working with consultants to evaluate and update the leases, if possible. In addition, the consultants are assisting the RevM team in updating and standardizing processes which will identify concessionaire lease non-compliance on a timely basis.</p>
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## Monthly Support Space Payment

<b>2.</b>	<b>Finding</b>	The Concessionaire did not remit payment for Support Space. Upon inquiry with the Authority, the Concessionaire is currently using approximately 68 square feet of support space within Terminal 2 resulting in an underpayment of \$703.97 in the month of January 2024 and a potential underpayment of \$3,656.10 in total.
	<b>Recommendation</b>	As required by Section 2.4.A of the Contract, the Concessionaire should remit payment for Support Space utilized.
	<b>Risk Rating</b>	Critical

The OIAA's Director of Revenue and Strategies verified that Dunkin' is currently utilizing approximately 68 square feet of Support Space in Terminal 2, without remitting the Support Space Charges outlined in Section 2.4.A as \$124.23 per square foot per annum, prorated monthly. The Support Space Charges are to be adjusted each July 1 in an amount equal to the annual percentage increase of the CPI-U for the Los Angeles-Long Beach-Anaheim Areas as published by the U.S. Department of Labor's Bureau of Labor Statistics; however, as the Concessionaire is currently in their first year of operation, these price increases have not yet come into effect. For the audited month, January 2024, Concessionaire's monthly Support Space Charge was \$703.97 as calculated in the table below.

MONTHLY SUPPORT SPACE CHARGE (TERMINAL 2)				
Support Space Charge	Cost per Square Foot	Number of Square Feet	Annual Charge	Monthly Charge <sup>1</sup>
Due Jan 2024	\$124.23	68	\$8,447.64	\$703.97

<sup>1</sup>\$124.23 per square foot per year x 68 square feet / 12 months = \$703.97 per month

As the Concessionaire has not yet submitted any Support Space Charge payments, assuming consistent support space utilization, the total past due is \$3,656.10 as illustrated by the table below.

TOTAL SUPPORT SPACE CHARGES PAST DUE (TERMINAL 2)	
Support Space Charges	Monthly Charge
Due Oct 2023 (prorated Oct 25 through Oct 31)	\$136.25
Due Nov 2023	\$703.97
Due Dec 2023	\$703.97
Due Jan 2024	\$703.97
Due Feb 2024	\$703.97
<b>Total Past Due (Oct 2023 through Feb 2024))</b>	<b>\$3,656.10</b>



The Authority should verify that Support Space utilization has been consistent throughout the lease term, request payment of the arrearage, and ensure that Support Space charges are paid monthly going forward.

**Authority Response** The Authority will invoice the concessionaire for the required amount of the monthly support space charges by December 15, 2024 based on the amount owed by tenant. Going forward, OIAA's lease management system (Propworks) will be instrumental in tracking and maintaining contract compliance. In addition, the consultants are assisting the RevM team in updating and standardizing processes which will identify concessionaire lease non-compliance on a timely basis.

### Monthly Utility Payment

<b>3.</b>	<b>Finding</b>	The Concessionaire did not remit a January 2024 payment for Utilities.
	<b>Recommendation</b>	Per Section 2.8, the Concessionaire is required to pay for all utilities used. Because submeters for electricity and water have not yet been installed, the dollar amount of utilities being consumed is currently unknown. Once these charges are established, the Concessionaire should remit monthly utility charges and if past due utility payments can be determined, the OIAA should consider billing the Concessionaire accordingly.
	<b>Risk Rating</b>	Critical

Per Section 2.8 of the Contract, the Concessionaire is required to pay for all utilities used; however, as the OIAA has required the Concessionaire to install submeters for electricity and water and the Concessionaire's contractors have not yet completed installation, it is not currently possible to know with certainty the dollar amount of utilities being consumed. Once utility charges can be established, the Concessionaire should remit monthly utility charges. If it is possible to determine past due utility payments, the OIAA should consider billing the Concessionaire accordingly.

**Authority Response** The Finance Division will invoice the concessionaire for the required amount of the utility payments by January 15, 2025 based on a pro-rata share of each utility. The location was built prior to installing sub-meters tfore, utility allocations methodology, per the lease, will be used to determine the correct amount owed. Going forward, OIAA's lease management system (Propworks) will be instrumental in tracking and maintaining contract compliance. In addition, the consultants are assisting the RevM team in updating and standardizing processes which will identify concessionaire lease non-compliance on a timely basis.



## B. ONE-TIME OR ON-DEMAND DELIVERABLES

### Franchise Agreement

4.	<b>Finding</b>	The Concessionaire did not submit their Franchise Agreement.
	<b>Recommendation</b>	As required by Section 2.6.A of the Contract, the Concessionaire should submit their Franchise Agreement to the OIAA.
	<b>Risk Rating</b>	Low

Section 2.6.A of the Contract requires that if the Concessionaire operates under a license or franchise agreement, a copy of said agreement must be provided to the Authority's CEO within 60 days of Agreement execution. All license and franchise agreements are subject to the CEO's approval. Batter Boys, Inc. represents that it operates a franchise of Dunkin' Donuts Brands Restaurants in Exhibit I of the Contract (the tenant-submitted Airport Tenant Concept Plan). The franchise agreement was required to have been submitted by December 27, 2021.

Upon inquiry with the Authority, we learned no franchise agreements have been received. The Authority should request that a copy of the Franchise Agreement be submitted.

<b>Authority Response</b>	The Pasley Group will work with RevM to formally request the Franchise Agreements by December 15, 2024. In addition, processes will be developed to ensure that new locations will not be allowed to open without the required security deposits, franchise agreements and other lease requirements.
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### Health Inspections

5.	<b>Finding</b>	The Concessionaire has not provided copies of Health Inspection Reports.
	<b>Recommendation</b>	As required by Section B.16 of Contract Exhibit H, the Concessionaire should submit a copy of Health Inspections within five days of the inspection and notify the CEO immediately upon failing an inspection. Upon submission of each Monthly Report, the OIAA should ask the Concessionaire if any Health Inspection Reports have been received for the month to ensure lease compliance. The Concessionaire's response should be recorded for recordkeeping purposes.
	<b>Risk Rating</b>	High

Section B.16 of Contract Exhibit H requires the Concessionaire to provide OIAA with copies of Health Inspection Reports within five days of inspection and to notify the OIAA CEO in writing immediately upon a failed Health Inspection. OIAA's Director of Revenue Strategies stated they were unaware of any such submissions. It is unclear whether, or how often, the Department of Health has inspected the Concessionaire's Terminal 4 location, or whether the Terminal 4 location has ever failed a Health Inspection.



**Authority Response**

All concession's F&B locations received an EHS Inspection in August 2024. Members of the Concessions Team escorted the inspectors. Prior to this, it is uncertain when the last EHS Inspections occurred. Submitting EHS Inspection results and complaints were addressed at the Sept 2024 Concessions Partnering Meeting and individual Business meetings. This topic will be a standard for all Partnering and business meetings going forward. Additional processes will be developed to ensure adherence to this provision.

### Written Complaints

6.	<b>Finding</b>	The Concessionaire has not provided copies of written complaints and responses; however, it is unclear whether the Concessionaire is not forwarding them as required or whether there is simply have not been any complaints
	<b>Recommendation</b>	As required by Section B.6 of the Contract Exhibit H, the Concessionaire should respond in writing to all written complaints, and provide copies of the written complaint and response to OIAA's CEO within 48 hours. Upon submission of each Monthly Report, the OIAA should ask the Concessionaire if any complaints have been received for the month to ensure lease compliance. The Concessionaire's response should be recorded for recordkeeping purposes.
	<b>Risk Rating</b>	Medium

Section B.6 of Contract Exhibit H requires the Concessionaire to respond to all written complaints in writing, within 48 hours of receipt, and to provide a copy of the complaints and responses to the OIAA CEO. Upon inquiry, OIAA's Director of Revenue Strategies stated they were unaware of any such complaints; however, it is unclear whether the Concessionaire is not forwarding them as required or if there simply have not been any complaints.

**Authority Response**

Submitting written customer complaints and responses were addressed at the Sept 2024 Concessions Partnering Meeting and individual Business meetings. This topic will be a standard for all Partnering and business meetings going forward. Additional processes will be developed to ensure adherence to this provision.



## APPENDIX: REVIEWED DOCUMENTS LIST

Date	Document
12/18/2023	Batter Boys – Lease Term Letter T2
10/28/2021	BatterBoysIncT2_ONT-20-10017 (Contract for Terminal 2)
01/31/2024	Batter Boys Dunkin' T2 January 2024 Sales
1/31/2024	Batter Boys, Inc. – CINV – 15035 2024-03-01 (Percentage Rent)





*Proprietary & Confidential*  
FACT VALIDATION REPORT

## Ontario International Airport Authority

**BATTER BOYS, INC.**  
**TERMINAL 4**

April 10, 2024

Moss Adams LLP  
999 Third Avenue, Suite 2800  
Seattle, WA 98104  
(206) 302-6500



This report is intended for the internal use of the Ontario International Airport Authority, and may not be provided to, used, or relied upon by any third parties.

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# I. EXECUTIVE SUMMARY

## A. SUMMARY OF RESULTS

Moss Adams LLP (we, Moss Adams) conducted a compliance audit of Ontario International Airport Authority's (the OIAA, the Authority) contract with Batter Boys, Inc. d/b/a Dunkin' (the Concessionaire) for food and liquor concessions at their Terminal 4 (T4) location during the period of March 1 through March 31, 2023. The goal of the audit was to validate that the Concessionaire had carried out the following responsibilities as defined by the original agreement named BatterBoysIncT4\_ONT-20-10010 (the Contract).

The following table summarizes the extent to which the Concessionaire was noncompliant with contract requirements according to the procedures performed. The following findings and recommendations are necessary to ensure future contract compliance, as detailed further in Section III.

FINDINGS AND RECOMMENDATIONS		
Monthly Deliverables		Risk Rating
<b>Monthly Report</b>		
<b>1 Finding</b>	Although an electronic submission was provided, the Concessionaire did not deliver a written copy of the March 2023 Monthly Report.	Low
<b>Recommendation</b>	As required by Section 3.49.A of the Contract, in addition to electronic submission the Concessionaire should deliver a written copy of the Monthly Report to the OIAA at the address specified in Section 2.7. The OIAA should consider enforcing the applicable late fee per Contract Section 3.49.B.	
<b>Monthly Support Space Payment</b>		
<b>2 Finding</b>	The Concessionaire did not remit payment for Support Space. Upon inquiry with the Authority, the Concessionaire is currently using approximately 48 square feet of support space within Terminal 4.	Critical
<b>Recommendation</b>	As required by Section 2.4.A of the Contract, the Concessionaire should remit payment for Support Space utilized. For the audited month, March 2023, Support Space charges were \$520.58. The full amount in arrears is \$16,858.93 (this amount includes the \$520.58 amount due for March 2023).	
Annual Deliverables		Risk Rating
<b>Annual Percentage Rent</b>		
<b>3 Finding</b>	The Concessionaire did not remit Terminal 4 Annual Percentage Rent for Years 1 or 2.	Critical
<b>Recommendation</b>	As required by Section 2.3.A.2 of the Contract, the Concessionaire should submit catch-up payments for Annual Percentage Rent in the amount of \$31,766.70 for Year 1 and \$33,921.15 for Year 2.	



FINDINGS AND RECOMMENDATIONS		
<b>Annual Report</b>		
<b>4 Finding</b>	The Concessionaire did not prepare and submit a certified annual financial statement to the Authority for Years 1 or 2.	Medium
<b>Recommendation</b>	As required by Section 3.49.C of the Contract, the Concessionaire should submit Annual Reports containing a certified opinion as to the accuracy of the submitted Monthly Reports, in a format and detail satisfactory to the OIAA. The OIAA should consider enforcing the applicable late fee per Contract Section 3.49.D.	
<b>Concessionaire's Audit (Annual Audit)</b>		
<b>5 Finding</b>	The Concessionaire did not remit a Concessionaire's Audit (Annual Audit) for Years 1 or 2.	High
<b>Recommendation</b>	The Concessionaire should submit a Concessionaire's Audit (Annual Audit) for Years 1 and 2 that complies with the contractual requirements outlined in Section 3.9.A of the Contract. The OIAA should consider performing the audit directly as allowable per Contract.	
<b>Annual Reconciliation and Adjustment of (Paid) Rent</b>		
<b>6 Finding</b>	The Concessionaire did not perform an Annual Reconciliation and Adjustment of Paid Rent for Years 1 or 2.	Critical
<b>Recommendation</b>	As required by Section 2.3.C of the Contract, the Concessionaire should reconcile the amount of Rent paid with that owed under the terms of the Contract for Years 1 and 2, settling over/underpayments.	
<b>Annual Readjustment of Support Space Charges</b>		
<b>7 Finding</b>	The Concessionaire did not adjust Support Space charges at the end of Agreement Year 1 or 2.	High
<b>Recommendation</b>	As required by Section 2.4.A of the Contract, the Concessionaire should adjust the amount of Support Space charges paid annually, increasing it each July 1 in accordance with the published annual percentage increase of the CPI-U for Los Angeles for the preceding year.	
<b>Annual Readjustment of Security Deposit</b>		
<b>8 Finding</b>	The Concessionaire did not adjust their Security Deposit for Years 1 or 2.	High
<b>Recommendation</b>	As required by Section 2.5.B of the Contract, the Concessionaire should submit a catch-up Security Deposit adjustment equal to one-fourth of all fees and charges paid to the OIAA for Agreement Year 2 minus the original \$5,000 initial deposit equal to \$27,905.79 and continue with annual adjustments on July 1 for every year moving forward.	



FINDINGS AND RECOMMENDATIONS		
One-Time or On-Demand Deliverables		Risk Rating
<b>Franchise Agreement</b>		
<b>9 Finding</b>	The Concessionaire did not submit their Franchise Agreement.	Low
<b>Recommendation</b>	As required by Section 2.6.A of the Contract, the Concessionaire should submit their Franchise Agreement.	
<b>Health Inspections</b>		
<b>10 Finding</b>	The Concessionaire has not provided copies of Health Inspection Reports.	High
<b>Recommendation</b>	As required by Section B.16 of Contract Exhibit H, the Concessionaire should submit a copy of Health Inspections within five days of the inspection and notify the CEO immediately upon failing an inspection. Upon submission of each Monthly Report, the OIAA should ask the Concessionaire if any Health Inspection Reports have been received for the month to ensure lease compliance. The Concessionaire's response should be recorded for recordkeeping purposes.	
<b>Written Complaints</b>		
<b>11 Finding</b>	The Concessionaire has not provided copies of written complaints and responses; however, it is unclear whether the Concessionaire is not forwarding them as required or whether there is simply have not been any complaints.	Medium
<b>Recommendation</b>	As required by Section B.6 of the Contract Exhibit H, the Concessionaire should respond in writing to all written complaints, and provide copies of the written complaint and response to OIAA's CEO within 48 hours. Upon submission of each Monthly Report, the OIAA should ask the Concessionaire if any complaints have been received for the month to ensure lease compliance. The Concessionaire's response should be recorded for recordkeeping purposes.	

## B. SCOPE AND METHODOLOGY

The goal of our compliance assessment of the Authority's Terminal 4 food and liquor concessions contract with the Concessionaire was to validate that the Concessionaire had performed all contractual obligations.

As requested by the OIAA, we also conducted a lookback review on any findings where past due amounts would be applicable to help the OIAA understand the total impact of our findings.

We conducted our review in four phases:

- 1. Project Initiation and Management:** We created our compliance assessment plan by identifying documents to review and ensuring that regular reporting channels were established to communicate project questions, project status, and facilitate overall project management.



2. **Fact-Finding:** We reviewed documentation and performed detailed testing to obtain the most currently available information and insights.
  - Document Review:
    - We reviewed all contract documents, including any amendments, to first identify the Concessionaire’s contractual obligations, which are outlined below.
    - We then reviewed all documents received from the Concessionaire to validate compliance with said obligations. These materials included Percentage Rent payments, monthly reports, and financial statements.
    - Any compliance questions were directed to the OIAA’s Director of Revenue and Strategies, as noted throughout our report.
  - Monthly Requirements:
    - Accurately calculating and remitting Monthly Rent (Section 2.3 of the Contract).
    - Accurately submitting the Monthly Report (Section 3.49.A).
    - Reimbursing the Authority in full for monthly utilities charges (Section 2.8).
    - Accurately calculating and remitting monthly Support Space charges (Section 2.4.A).
  - Annual Requirements:
    - Accurately calculating and remitting Annual Percentage Rent (Sections 2.3.A and 2.3.B).
    - Providing an Annual Report that conforms to contractual requirements (Section 3.49.C).
    - Providing a Concessionaire’s Audit (Annual Audit) that conforms to contractual requirements (Section 3.9.A).
    - Providing an Annual Reconciliation and Adjustment of paid Rent (Section 2.4.A).
    - Accurately readjusting Support Space Rent (Section 3.49.A).
    - Accurate readjustment of Security Deposit (Section 2.4.A).
  - One-Time and On-Demand Requirements:
    - Providing Franchise Agreement (Section 2.6.A).
    - Submitting Department of Health Inspection Reports within five days; notifying the OIAA’s CEO immediately upon a failed Health Inspection (Exhibit H, Section B.16).
    - Installing access prevention and surveillance devices as required, and granting the OIAA access (Section 3.4.F).
    - Obtaining and properly displaying vehicle ID permits (Section 3.4.G).
    - Completing repairs as directed (Section 2.9).
    - Responding to written complaints in writing within 48 hours; providing the OIAA’s CEO with copies (Exhibit H, Section B.6).
    - Providing proof of monthly grease trap cleaning and maintenance to the OIAA within seven days of request (Exhibit E, Section 10).
  - Detailed Testing: We supplemented our assessment by recalculating reported MAG values, support space charges, and other values based on the data provided.
3. **Analysis:** We evaluated the extent to which the Concessionaire complied with the Contract requirements as identified during our fact-finding phase outlined above.
4. **Reporting:** We concluded our work by reviewing draft findings and recommendations with the Authority to confirm the status of the recommendations.

A table listing all reviewed documents has been included in the Appendix.





This engagement was performed in accordance with the Standards for Consulting Services established by the American Institute of Certified Public Accountants. The scope of this engagement is outlined in the body of our report. This report was developed based on information from our review of contract documents, utility statements, invoices, financial statements, and the Concessionaire's statement of sales.

## C. FUTURE CONSIDERATIONS

### Conduct Validation of Annual Report

We were **unable** to validate the accuracy of rent calculations or rent paid. Once the annual report has been revised to comply with the Section 3.49.C requirement that it be in the format and detail satisfactory to the Authority, updating the financial statement to include monthly Gross Revenue and Rent detail, we recommend completing a compliance review to validate self-reported monthly Gross Revenues and Rent paid.

## D. COMMENDATIONS

We would like to thank the Authority for their responsiveness and thoroughness during this Vendor Contract Compliance Review. It is important to note that while many of the current Finance, Revenue Management, and Concessions team members were not part of the original vendor contract negotiation process, and have inherited pre-existing compliance issues, they are working proactively to address them. These staff members have been receptive to audit findings, valuing the information as a way to identify and prioritize necessary improvements. Their enthusiastic support for the process has played an essential role in the success of our assessment.



## II. BACKGROUND

The Authority engaged its internal auditor, Moss Adams, to conduct an audit of its vendor contract monthly payments. The Authority contracted with the vendor, Batter Boys, Inc. (the Concessionaire), to provide food concession services to patrons of the OIAA. Key elements of the Contract include the following provisions:

- Gross Revenues (excluding sales and excise taxes and other monies resulting from conditions described in Contract Section 1.14) should be accounted for accurately to provide a basis for establishing a Percentage Rent equal to a percent of Gross Revenue, and a Minimum Annual Guarantee (MAG) equal to a percent of prior Agreement Year's Rent.
  - Section 2.3 of the Contract requires the Concessionaire to remit monthly Rent that is the greater of Percentage Rent or MAG.
  - Section 2.3 of the Contract sets Percentage Rent as 8% of monthly Gross Revenues.
  - Section 2.3 of the Contract sets MAG as 85% of the prior Agreement Year's total Rent (defined as "any and all monetary obligations arising under this Agreement, including without limitation, Rent Minimum Annual Guarantee, Percentage Rent, insurance costs, maintenance costs, utilities, late charges, liquidated damages, interest, administrative fees, and any and all other monetary obligations of the Concessionaire hereunder" in Section 1.21 of the Contract).
  - As the audited financial statements do not provide monthly detail, we were unable to reliably review revenue calculations and assess the accuracy of remittances to the Authority.
  - Reviewing what was provided, we evaluated the accurateness of the percentage used to determine the amount of monthly Percentage Rent, as well as the accurateness of the Percentage Rent calculation – and to determine that Percentage Rent (as calculated based upon self-reported monthly Gross Revenue) was greater than MAG (as calculated based upon the financial report submitted by the Concessionaire).
- A Monthly Report must be submitted concurrent with each monthly Rent payment.
  - Section 3.48(a) of the Contract requires the Concessionaire to submit a Monthly Report that summarizes activities and gross revenues.
  - This Monthly Report must be submitted electronically, with an additional hard copy delivered to 1923 E. Avion Street, Ontario, CA 91761.
- The Concessionaire is responsible for paying utilities.
  - Section 2.8 of the Contract requires the Concessionaire to pay utilities invoiced by the Authority within 15 calendar days of invoice receipt.
- The Concessionaire is responsible for paying Support Space charges.
  - Section 2.4(A) of the Contract requires the Concessionaire to pay \$120.84 per square foot of leased Support Space that is not a contiguous part of the Leased Premises, prorated on a monthly basis.
  - This amount is to be annually adjusted each July 1 during the Agreement Term, based upon the Consumer Price Index for All Urban Consumers (CPI-U) for Los Angeles as published by the Department of Labor's Bureau of Labor Statistics.
- The Security Deposit must be adjusted annually.
  - Section 2.5 of the Contract set the initial Security Deposit at \$5,000 and requires the Concessionaire to adjust, by July 1 of each year, its Security Deposit to an amount equal to one-quarter of the total amount of all fees and charges paid to the OIAA over the previous Agreement Year.



- The Concessionaire must submit a copy of their Franchise Agreement.
  - Section 2.6.A of the Contract requires the Concessionaire to submit a copy of their Franchise Agreement within 60 days of execution of the Contract (by August 31, 2021).
- The Concessionaire must submit copies of Department of Health Inspections and notify the OIAA immediately upon failing an Inspection.
  - Section B.16 of the Contract's Exhibit H requires the Concessionaire to submit a copy of Health Inspections within five days of an Inspection and notify the CEO immediately upon failing an Inspection.
- The Concessionaire must install, maintain, and operate access prevention and surveillance devices as requested by the OIAA.
  - Section 3.4.F of the Contract requires the Concessionaire to install, maintain, and operate access prevention and surveillance devices as requested by the OIAA.
- The Concessionaire must make repairs and replacements as required by the OIAA.
  - Section 2.9 of the Contract requires the Concessionaire to make repairs and replacements as required by the OIAA.
- The Concessionaire must respond in writing to all written complaints and provide copies of all associated written correspondence to the OIAA's CEO within 48 hours.
  - Section B.6 of Contract Exhibit H requires the Concessionaire to respond in writing to all written complaints within 48 hours of receipt and provide copies of all associated written correspondence to the OIAA's CEO.
- The Concessionaire must furnish proof of monthly cleaning and maintenance service on its grease traps to the OIAA's CEO within seven calendar days of the OIAA's request.
  - Section 10 of Contract Exhibit E requires the Concessionaire to furnish proof of monthly cleaning and maintenance serviced on its grease traps to the OIAA's CEO within seven calendar days of request.
- The Concessionaire must submit an annual Concessionaire's Audit (Annual Audit).
  - Section 3.9.A of the Contract requires the Concessionaire to submit a Concessionaire's Audit report detailing "books and records...as they pertain to this Agreement, for each Agreement Year, or applicable portion thereof," submitted no later than 60 days following the last day of every Agreement Year—making Year 1's Audit due no later than August 30, 2022 and Year 2's Audit due no later than August 30, 2023. The Contract requires that this Audit be completed by a CPA.
  - This Audit shall include:
    - An Audited Statement of Gross Revenues, submitted to the Airport Accounting Office by no later than 60 days following the last day of every Agreement Year.
    - A written statement to the OIAA stating that in the CPA's opinion, Rent and other required fees paid by the Concessionaire to the OIAA for the preceding Agreement Year were paid in accordance with the terms of the Contract.
    - Copies of any reports prepared by such CPA or by the Concessionaire's internal audit staff for the Concessionaire relating exclusively to this Agreement, and specifically describing any strengths or weaknesses of internal fiscal controls.
    - A management letter prepared by such CPA for the Concessionaire relating exclusively to this Contract and specifically describing the Concessionaire's internal accounting controls as they relate to cash handling, processing of receipts, and security of cash at the Airport, based on examination and testing of such controls by such CPA, including a control analysis of the strengths and weaknesses of such controls.



- If the Audit shows any discrepancy compared to the amount of the Concessionaire's Gross Revenues and compared to those reported to the OIAA, the Concessionaire must pay the OIAA the difference (or the OIAA shall reimburse the Concessionaire if appropriate) within 30 calendar days following discovery of the discrepancy.
- The Concessionaire must provide an Annual Report.
  - Section 3.49.C of the Contract requires the Concessionaire to submit an Annual Report prepared by an independent CPA or the Concessionaire's Chief Financial Officer, to serve as a certified annual financial statement that sets forth all business transacted under the Agreement during the preceding Agreement Year.
  - This Annual Report must include, but is not necessarily limited to:
    - The Concessionaire's Gross Revenues
    - Rent
    - Other payments due to the OIAA
    - CPA's Audit or audit performed by the Concessionaire's Chief Financial Officer
    - Examination of source documents from which Monthly Reports are based
    - Certified opinion as to the accuracy of the Concessionaire's submitted Monthly Reports
  - This Annual Report shall be in a format and in detail satisfactory to the OIAA.
  - This Annual Report is due no later than 60 calendar days following the last day of each Agreement Year: no later than August 30, 2022 for Year 1 and no later than August 30, 2023 for Year 2.
- The Concessionaire must conduct an Annual Reconciliation and Rent Adjustment.
  - Section 2.3.C of the Contract requires the Concessionaire to reconcile Rent at the end of each Agreement Year, with Rent Adjustments required within 30 days after the approved Annual Report is sent to the OIAA (as required in Section 3.49.C).
- The Concessionaire must submit Annual Percentage Rent if actual expense percentages are lower than the amount budgeted in the Contract.
  - Section 2.3.A.2 of the Contract requires the Concessionaire to conduct a reconciliation of actual expense percentages with the percentages budgeted in the Contract. If actual expenses are lower, the Concessionaire shall pay the savings realized (up to an additional 3% of annual Gross Revenues) to provide a total Percentage Rent of up to 11% of the annual Gross Revenues.
  - Percentages were budgeted as follows:
    - Payroll, Taxes, and Employee Benefits: 30%
    - Operating Expenses (Food and Paper): 31%
    - Utilities: 3%
    - General, Repairs, Maintenance, Admin, Insurance: 5%
    - Other Direct Expenses (Uniforms, Delivery Fees, Legal, Advertising Fund): 5%
  - Annual Percentage Rent shall be due at the end of each Agreement Year (July 1, 2022 for Year 1 and July 1, 2023 for Year 2.)



### III. RESULTS

Based on the input gathered from document review and discussions with the Authority, we evaluated compliance with the Contract Terms outlined in Section II. Where noncompliance was found, we prepared findings and recommendations accordingly.

#### A. MONTHLY DELIVERABLES

##### Monthly Report

<b>1.</b>	<b>Finding</b>	Although an electronic submission was provided, the Concessionaire did not deliver a written copy of the March 2023 Monthly Report.
	<b>Recommendation</b>	As required by Section 3.49.A of the Contract, in addition to electronic submission the Concessionaire should deliver a written copy of the Monthly Report to the OIAA at the address specified in Section 2.7. The OIAA should consider enforcing the applicable late fee per Contract Section 3.49.B.
	<b>Risk Rating</b>	Low

Section 3.49.A of the Contract requires that the Concessionaire submit their Monthly Report, which supports their monthly Percentage Rent payments, both electronically and by mail to the address specified in Section 2.7: OIAA, Administration Building, 1923 E. Avion Street, Ontario, CA 91761.

Upon inquiry with the Authority, we learned that all Monthly Reports are only received electronically at this time. The Authority should remind the Concessionaire to submit their Monthly Report as required moving forward

It should also be considered that Section 3.49.B provides for a \$10.00 late fee for each day that a Monthly Report is delinquent. Since the contractual requirements for delivery were not met, the Authority should take the option of enforcing this late fee into consideration.

<b>Authority Response</b>	<p>The Authority has the right, as outlined in the lease, to modify the form of submission of the monthly sales and revenues. The Authority will document the acceptable forms, paper and/or electronic by November 30, 2024.</p> <p>The Revenue Management (RevM) team recognizes that the leases are not standardized and some of the language may be antiquated, no longer applicable, or may need to be strengthened. RevM is currently working with consultants to evaluate and update the leases, if possible. In addition, the consultants are assisting the RevM team in updating and standardizing processes which will identify concessionaire lease non-compliance on a timely basis.</p>
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## Monthly Support Space Payment

<b>2.</b>	<b>Finding</b>	The Concessionaire did not remit payment for Support Space. Upon inquiry with the Authority, the Concessionaire is currently using approximately 48 square feet of support space within Terminal 4.
	<b>Recommendation</b>	As required by Section 2.4.A of the Contract, the Concessionaire should remit payment for Support Space utilized. For the audited month, March 2023, Support Space charges were \$520.58. The full amount in arrears is \$16,858.93 (this amount includes the \$520.58 amount due for March 2023).
	<b>Risk Rating</b>	Critical

Upon inquiry with the Authority, we learned that while Support Space is in use, no Support Space charges have been paid. Assuming that Support Space utilization has remained consistent throughout, this results in a \$16,324.34 in arrearage (including the March 2023 Support Space charges of \$520.58). The Authority should verify that Support Space utilization has been consistent throughout the lease term, request payment of the arrearage, and ensure that Support Space charges are paid monthly going forward.

Initial Support Space charges were \$120.84 per square foot per annum, prorated monthly; however, per Section 2.4.A of the Contract this amount was to be adjusted each July 1 in an amount equal to the annual percentage increase of the Consumer Price Index for all Urban Consumers for the Los Angeles-Long Beach-Anaheim Areas as published by the U.S. Department of Labor's Bureau of Labor Statistics. Assuming that the Concessionaire has been using the same amount of Support Space throughout, the monthly Support Space Charge for July 2021 through June 2022 would have been \$483.36. In July 2022 it would have increased by 7.7% (the annual CPI-U for the previous year for Los Angeles), making the monthly Support Space Charge for the months of July 2022 through June 2023 \$520.58. In July 2023 it would have increased again, this time by 2.7% (the annual CPI-U for the previous year for Los Angeles), resulting in a monthly Support Space Charge of \$534.63 due for July 2023 through present. As the audited month was March 2023, the Support Space Charge that should have been remitted was \$520.58.

The table below identifies what the monthly Support Space charge should have been from July 2021 to March 2024 (present).

SUPPORT SPACE CHARGES (TERMINAL 4) JULY 2021–MARCH 2024					
Support Space Charges	Initial Cost per Sq Ft	Number of Sq Ft [A]	Monthly Charge [B]	Annual Charge (A x B) = [C]	CPI-U Los Angeles at End of Agreement Year (July) <sup>[1]</sup>
Year 1 (July 2021 to June 2022)	\$120.84	48	\$483.36	\$5,800.32	7.7%



SUPPORT SPACE CHARGES (TERMINAL 4) JULY 2021–MARCH 2024				
Year 2 (July 2022 to June 2023)	48	\$520.58	\$6,246.94	2.7%
Year 3 (July 2023 to June 2024)	48	\$534.63	\$4,811.67 <sup>[2]</sup>	TBD
Total Past Due		\$1,538.57	\$16,858.93	

[1] CPI-U per the U.S. Bureau of Labor Statistics for the Los Angeles area as of July 2023:

[https://www.bls.gov/regions/west/news-release/2023/consumerpriceindex\\_losangeles\\_20230810.htm](https://www.bls.gov/regions/west/news-release/2023/consumerpriceindex_losangeles_20230810.htm)

[2] The July 2023–June 2024 annual charge shown is calculated through March 2024, which is when our procedures were performed. As of June 2024, the total amount owed for the 2023-2024 Agreement Year will be equal to \$18,462.87.

**Authority Response**

The Authority will invoice the concessionaire for the required amount of the monthly support space charges by December 15, 2024 based on the amount owed by tenant. Going forward, OIAA's lease management system (Propworks) will be instrumental in tracking and maintaining contract compliance. In addition, the consultants are assisting the RevM team in updating and standardizing processes which will identify concessionaire lease non-compliance on a timely basis.

**B. ANNUAL DELIVERABLES**

**Annual Percentage Rent**

3.	<b>Finding</b>	The Concessionaire did not remit Terminal 4 Annual Percentage Rent for Years 1 or 2.
	<b>Recommendation</b>	As required by Section 2.3.A.2 of the Contract, the Concessionaire should remit payment for Annual Percentage Rent. There were no Annual Percentage Rent Payments due for the audited month, March 2023; however, the full amount in arrears is \$65,687.85 (\$31,766.70 for Year 1 and \$33,921.15 for Year 2).
	<b>Risk Rating</b>	Critical

Per Section 2.3.A.2 of the Contract, in addition to monthly Percentage Rent and only to the extent that the Concessionaire's actual expenses are less than the budgeted percentages listed in the Contract, the Concessionaire is required to pay to the OIAA the savings—up to an additional 3% of Annual Gross Revenues—at the end of each Agreement Year. The OIAA's Director of Revenue Strategies confirmed that Dunkin' did not submit Annual Percentage Rent for Agreement Years ending in 2022 or 2023.

To determine the amount of Annual Percentage Rent owed, we compared the actual percentage of Annual Gross Revenue that was expended on each budgeted category per Agreement Year (as reported in Dunkin's financial statements) to the budgeted percentages from the Contract. Since the total amount saved for Agreement Years 1 and 2 exceeded the 3% of annual Gross Revenue cap, the total amount owed for each Agreement Year was limited to just 3% of annual Gross Revenue.



The first table that follows represents Agreement Year End 2022. The actual expenses that were less than what was budgeted in Section 2.3.A.2. The total savings for Operating Expenses (Food and Paper), Utilities, and Other Direct Expenses (Uniforms, Delivery Fees, Legal, Advertising Fund) was \$68,721.96. As Annual Percentage Rent is capped at 3% of annual Gross Revenue (\$1,058,890), the total amount due is limited to \$31,776.70 for Agreement Year End 2022.

ANNUAL PERCENTAGE RENT AGREEMENT YEAR END 2022				
Annual Gross Revenue = \$1,058,890	Budget % from Contract [A]	Actual % of Gross Revenue [B]	Budget vs. Actual % Variance <sup>[1]</sup> [C] (A-B)	Calculated Savings <sup>[2]</sup> [D] (C x Annual Gross Revenue)
Payroll, Taxes, and Employee Benefits	30.00%	30.03%		
Operating Expenses (Food and Paper)	31.00%	28.87%	2.13%	\$22,554.36
Utilities	3.00%	0.56%	2.44%	\$25,836.92
General, Repairs, Maintenance, Admin, Insurance	5.00%	5.46%		
Other Direct Expenses (Uniforms, Delivery Fees, Legal, Advertising Fund)	5.00%	3.08%	1.92%	\$20,330.69
Total Amount of Realized Savings			6.49%	\$68,721.96
Annual Percentage Rent Ceiling Amount (Maximum 3% of Gross Sales)			\$31,766.70	
Amount of Annual Percentage Rent Due (= Lesser of Total Amount of Savings Realized over Budgeted Expenses and Annual Percentage Rate Ceiling Amount)				\$31,766.70

As summarized above, for Agreement Year ending 2022, actual expenses for the following categories exceeded the budgeted percentages provided within the Contract, resulting in no payment due to the OIAA for these line items:

- Payroll, Taxes, & Employee Benefits was budgeted at 30% of annual Gross Revenues; actual expenses were 30.03%.





- General, Repairs, Maintenance, Admin, Insurance was budgeted at 5% of annual Gross Revenues; actual expenses were 5.46%. (Please note that within the financial statement, Utilities was included within the General, Repair, Maintenance, Admin, & Insurance line item and had to be deducted for the calculation below since Utilities is treated as a separate line item within the Contract's expense percentage budget.)

For Agreement Year ending 2022, the following categories had actual expenses that were lower than budgeted, resulting in a savings for the Concessionaire and Annual Percentage Rent payment due to the OIAA:

- Operating Expenses (Food and Paper) was budgeted at 31% of annual Gross Revenues; actual expenses were 28.87%, resulting in a savings of \$22,554.36.
- Utilities were budgeted at 3% of annual Gross Revenues; actual expenses were 0.56%, resulting in a savings of \$25,836.92.
- Other Direct Expenses (Uniforms, Delivery Fees, Legal, Advertising Fund) were budgeted at 5% of annual Gross Revenues; actual expenses were 3.08%, resulting in a savings of \$20,330.69.

The total savings for Operating Expenses (Food and Paper), Utilities, and Other Direct Expenses (Uniforms, Delivery Fees, Legal, Advertising Fund) was \$68,721.96. As Annual Percentage Rent is capped at 3% of annual Gross Revenue (\$1,058,890), the total amount due is limited to \$31,776.70 for Agreement Year End 2022.

The next table represents Agreement Year End 2023. The actual expenses that were less than what was budgeted in in Section 2.3.A.2. The total savings for Utilities and Other Direct Expenses (Uniforms, Delivery Fees, Legal, Advertising Fund) was \$46,132.76. As Annual Percentage Rent is capped at 3% of annual Gross Revenue (\$1,130,705), the total amount due is limited to \$33,921.15 for Agreement Year End 2023.

ANNUAL PERCENTAGE RENT AGREEMENT YEAR END 2023				
Annual Gross Revenue = \$1,130,705.00	Budget % from Contract	Actual % of Gross Revenue	Extent (by %) Concessionaire's actual expenses are less than budgeted % of Gross Revenue	Extent (in \$) Concessionaire's actual expenses are less than budgeted % of Gross Revenue (equation: % Actual Expenses are less than budgeted % of Gross Revenue * Annual Agreement Year End 2022 Gross Revenue)
Payroll, Taxes, and Employee Benefits	30.00%	30.45%		
Operating Expenses (Food and Paper)	31.00%	32.14%		
Utilities	3.00%	0.64%	2.36%	\$26,684.64
General, Repairs, Maintenance, Admin, Insurance	5.00%	7.59%		



ANNUAL PERCENTAGE RENT AGREEMENT YEAR END 2023				
Other Direct Expenses (Uniforms, Delivery Fees, Legal, Advertising Fund)	5.00%	3.28%	1.72%	\$19,448.13
Total Amount of Realized Savings			4.08%	\$46,132.76
Annual Percentage Rent Ceiling Amount (Maximum 3% of Gross Sales)			\$33,921.15	
Amount of Annual Percentage Rent Due = (Lesser of Total Amount of Savings Realized over Budgeted Expenses and Annual Percentage Rate Ceiling Amount)				\$33,921.15

As summarized above, for Agreement Year ending 2023, actual expenses for the following categories exceeded budgeted percentages, resulting in no payment due to the OIAA for these budget line items:

- Payroll, Taxes, & Employee Benefits was budgeted at 30% of annual Gross Revenues; actual expenses were 30.03%.
- Operating Expenses (Food and Paper) was budgeted at 31% of annual Gross Revenues; actual expenses were 32.14%.
- General, Repairs, Maintenance, Admin, Insurance was budgeted at 5% of annual Gross Revenues; actual expenses were 7.59%. (Please note that within the financial statement, Utilities was included within the General, Repair, Maintenance, Admin, & Insurance line item and had to be deducted for the calculation below, since Utilities is treated as a separate line item within the Contract's expense percentage budget.)

For Agreement Year ending 2023, the following categories had actual expenses that were lower than budgeted for within the Contract, resulting in a savings for the Concessionaire and Annual Percentage Rent payment due to the OIAA:

- Utilities was budgeted at 3% of annual Gross Revenues; actual expenses were 0.64%, resulting in a savings of \$26,684.64.
- Other Direct Expenses (Uniforms, Delivery Fees, Legal, Advertising Fund) was budgeted at 5% of annual Gross Revenues; actual expenses were 3.28%, resulting in a savings of \$19,448.13.



The total savings for Utilities and Other Direct Expenses (Uniforms, Delivery Fees, Legal, Advertising Fund) was \$46,132.76. As Annual Percentage Rent is capped at 3% of annual Gross Revenue (\$1,130,705), the total amount due is limited to \$33,921.15 for Agreement Year End 2023.

The Authority should request that the Concessionaire remit catch-up Annual Percentage Rent payments for the amounts that are past due (\$31,766.70 and \$33,921.15) and ensure Annual Percentage Rent is submitted in future years.

<b>Authority Response</b>	The Authority will invoice the concessionaire for the required amount of additional percentage rent by December 15, 2024 in the amount of \$65,687.85. Going forward, OIAA's lease management system (Propworks) will be instrumental in tracking and maintaining contract compliance. In addition, the consultants are assisting the RevM team in updating and standardizing processes which will identify concessionaire lease non-compliance on a timely basis.
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## Annual Report

<b>4.</b>	<b>Finding</b>	The Concessionaire did not prepare and submit a certified annual financial statement to the Authority for Years 1 or 2.
	<b>Recommendation</b>	As required by Section 3.49.C of the Contract, the Concessionaire should submit Annual Reports containing a certified opinion as to the accuracy of the submitted Monthly Reports, in a format and detail satisfactory to the OIAA. The OIAA should consider enforcing the applicable late fee per Contract Section 3.49.D.
	<b>Risk Rating</b>	Medium

Section 3.49.C of the Contract requires the Concessionaire to submit an Annual Report for the OIAA's approval within 60 calendar days following the last day of each Agreement Year. This report must be prepared by an independent CPA or by the Concessionaire's Chief Financial Officer in a format and detail satisfactory to the OIAA and shall serve as a certified annual financial statement of the Concessionaire's Gross Revenues, Rent, and other payments due to the OIAA. Additionally, the Annual Report is required to provide a certified opinion as to the accuracy of the Concessionaire's submitted Monthly Reports.

Although the Concessionaire submitted Annual Reports for Agreement Year 1 (*Batter Boys, Inc. – OIAA Statement of Revenues & Expenses – Financial Statement for Agreement Year ending July 2022*) and Agreement Year 2 (*Batter Boys, Inc. 2022–2023 Financials Ontario – Financial Statement for Year Ending July 2023*), these reports were missing the required certified opinion of the document preparer as to the accuracy of the Concessionaire's submitted Monthly Reports. Additionally, the Contract required the Annual Reports to be prepared "in a format and in detail satisfactory to the OIAA." The OIAA's Director of Revenue and Strategies communicated that while they had asked for monthly detail on these reports, only annual-level detail was provided and as a result, these reports did not meet contractual requirements.

The Authority should request that the Concessionaire revise their Annual Reports for Agreement Years 1 and 2 so that they comply with contractual requirements to be submitted in a format and



detail satisfactory to the OIAA (providing monthly detail), and provide the required certified opinion as to the accuracy of the Concessionaire’s submitted Monthly Reports. Additionally, the Authority should request that all future year Annual Reports comply with these requirements.

Additionally, per Contract Section 3.49.D, if the Concessionaire is delinquent for 10 days or more in furnishing to the OIAA any Annual Report due under the Contract, the OIAA is entitled to a \$100.00 late fee each month, or partial month, that the report is delinquent. Since inaccurate reporting was provided, the Authority should take this fee into consideration.

<b>Authority Response</b>	The Authority will work with the concessionaire to ensure they understand their lease requirements and due dates. A schedule for when all items can be address will be created by December 15, 2024. In addition, the consultants are assisting the RevM team in updating and standardizing processes which will identify concessionaire lease non-compliance on a timely basis.
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### Concessionaire’s Audit (Annual Audit)

<b>5.</b>	<b>Finding</b>	The Concessionaire did not remit a Concessionaire’s Audit (Annual Audit) for Years 1 or 2.
	<b>Recommendation</b>	The Concessionaire should submit a Concessionaire’s Audit (Annual Audit) for Years 1 and 2 that complies with the contractual requirements outlined in Section 3.9.A of the Contract. The OIAA should consider performing the audit directly as allowable per Contract.
	<b>Risk Rating</b>	High

As required by Section 3.9.A of the Contract, the Concessionaire should remit a Concessionaire’s Audit (Annual Audit) no later than 60 days after the end of each Agreement Year, making Year 1’s Concessionaire’s Audit due on August 30, 2022 and Year 2’s Concessionaire’s Audit due August 30, 2023. The Contract requires that this Annual Audit be completed by a CPA and that it contain: 1) an audited statement of Gross Revenues, 2) a written statement that in the CPA’s opinion Rent and other required fees paid in the preceding Agreement Year were done so in accordance with the Agreement term, 3) copies of any reports prepared by the CPA or Concessionaire’s internal audit staff relating exclusively to the Agreement that specifically describe any strengths and weaknesses of internal fiscal controls, and 4) a management letter prepared by the CPA specifically describing the Concessionaire’s internal accounting controls as they relate to cash handling, processing of receipts, and security of cash at the Airport based upon that CPA’s examination and testing (including an analysis of the strengths and weaknesses of such controls). In the event the audit shows any discrepancies, over or underpayments shall be reimbursed within 30 days of discovery.

If the Concessionaire fails to perform this obligation, after 30 days’ notice by the OIAA, the OIAA may employ an independent CPA to perform the required audit, and in addition to any difference in Rent due the OIAA from such audit, the OIAA shall recover the entire cost of such audit, plus a 15% administrative charge of the audit’s cost from the Concessionaire.



We recommend that the Authority require the Concessionaire to submit their Year 1 and Year 2 Concessionaire’s Audits or engages an independent CPA to perform the audit in order to bring them into compliance, and to ensure that the Concessionaire submits an annual Concessionaire’s Audit for each year going forward.

<b>Authority Response</b>	The Authority alongside the Pasley Group will work with the concessionaire to ensure they understand their lease requirements and due dates. A schedule for when all items can be addressed will be created by December 15, 2024. In addition, the consultants are assisting the RevM team in updating and standardizing processes which will identify concessionaire lease non-compliance on a timely basis.
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## Annual Reconciliation and Adjustment of (Paid) Rent

<b>6.</b>	<b>Finding</b>	The Concessionaire did not perform an Annual Reconciliation and Adjustment of Paid Rent for Years 1 or 2.
	<b>Recommendation</b>	As required by Section 2.3.C of the Contract, the Concessionaire should reconcile the amount of Rent paid with that owed under the terms of the Contract for Years 1 and 2, settling over/underpayments.
	<b>Risk Rating</b>	Critical

Section 2.3.C of the Contract requires the Concessionaire to reconcile the amount of Rent they paid to the Authority over the previous Agreement Year, making any over or underpayment adjustments within 30 days of the OIAA’s approval of the Annual Report required under Section 3.49.C of the Contract.

As the Authority is still awaiting an Annual Report with monthly detail, it is unable to perform a reconciliation for Agreement Years 2022 and 2023. Upon receipt, these reconciliations should be performed.

<b>Authority Response</b>	The Authority, along with the Pasley Group (consultants) will work with the concessionaire to ensure they understand their lease requirements and due dates. A schedule for when all items can be address will be created by December 15, 2024. In addition, the consultants are assisting the RevM team in updating and standardizing processes which will identify concessionaire lease non-compliance on a timely basis.
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## Annual Readjustment of Support Space Charges

7.	<b>Finding</b>	The Concessionaire did not adjust Support Space charges at the end of Agreement Years 1 or 2.
	<b>Recommendation</b>	As required by Section 2.4.A of the Contract, the Concessionaire should adjust the amount of Support Space charges paid annually, increasing it each July 1 in accordance with the published annual percentage increase of the CPI-U for Los Angeles for the preceding year.
	<b>Critical</b>	High

As detailed further in [Observation 2](#) of the Monthly Deliverables, Monthly Support Space Payment, per Section 2.4.A of the Contract, initial Support Space charges were \$120.84 per square foot per annum, prorated monthly; however, this amount was to be adjusted each July 1 in an amount equal to the annual percentage increase of the CPI-U for the Los Angeles-Long Beach-Anaheim Areas as published by the U.S. Department of Labor’s Bureau of Labor Statistics. Assuming that the Concessionaire has been using the same amount of Support Space throughout, the monthly Support Space charge for July 2021 through June 2022 would have been \$483.36. In July 2022 it would have increased by 7.7% (the annual CPI-U for the previous year for Los Angeles), making the monthly Support Space charge for the months of July 2022 through June 2023 \$520.58. In July 2023 it would have increased again, this time by 2.7% (the annual CPI-U for the previous year for Los Angeles), resulting in a monthly Support Space charge of \$534.63 due for July 2023 through present. As the audited month was March 2023, the Support Space Charge that should have been remitted was \$520.58.

Upon inquiry with the Authority, we learned that while the space is in use, no Support Space charges have been paid. Assuming that Support Space utilization has remained consistent throughout, this results in a \$16,324.34 arrearage (including the March 2023 Support Space charges of \$520.58).

The Authority should verify that Support Space utilization has been consistent throughout the lease term, request payment of the arrearage, and ensure that the annual readjustment of Support Space charges are completed moving forward.

<b>Authority Response</b>	The Authority will invoice the concessionaire for the required amount of the monthly support space charges by December 15, 2024 based on the amount owed by tenant. Going forward, OIAA’s lease management system (Propworks) will be instrumental in tracking and maintaining contract compliance. In addition, the consultants are assisting the RevM team in updating and standardizing processes which will identify concessionaire lease non-compliance on a timely basis.
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## Security Deposit Annual Adjustment

8.	<b>Finding</b>	The Concessionaire did not adjust their Security Deposit for Years 1 or 2.
	<b>Recommendation</b>	As required by Section 2.5.B of the Contract, the Concessionaire should submit a catch-up Security Deposit adjustment equal to one-fourth of all fees and charges paid to the OIAA for Agreement Year 2 minus the original \$5,000 initial deposit equal to \$27,905.79 and continue with annual adjustments on July 1 for every year moving forward.
	<b>Risk Rating</b>	High

Section 2.5.B of the Contract requires the Concessionaire to adjust its Security Deposit to an amount equal to one-fourth of the total amount of all fees and charges paid to the OIAA by the Concessionaire over the previous Agreement Year. Considering the Concessionaire's initial deposit of \$5,000, this would have resulted in a Security Deposit Adjustment of \$25,608.68 as of July 2022 for Year 1 and \$27,905.79 as of July 2023 for Year 2 as detailed in the table below.

FEES AND CHARGES PAID IN YEAR 2 (JULY 2022 TO JULY 2023) PER FINANCIAL STATEMENT					
Percentage Rent [A]	Utilities [B]	Annual Percentage Rent (Owed, but Not Yet Paid) [C]	Total (A+B+C)= [D]	Security Deposit Adjustment = 1/4 Fees and Charges Paid in Previous Agreement Year [D] x .25 = [E]	Security Deposit Due Now [E] - \$5,000 Initial Deposit
\$90,456.00	\$7,246.00	\$33,921.15	\$131,623.15	\$32,905.79	\$27,905.79

Upon inquiry with the Authority, we learned that no adjustments had been made to date. The Authority should reach out to the Concessionaire to complete a one-time catch-up Security Deposit Adjustment equal to \$27,905.79, and work together to continue with annual adjustments moving forward.

<b>Authority Response</b>	The Finance Division will invoice the concessionaire for the required amount of the security deposit by December 15, 2024 in the most recent amount due. The Pasley Group will notify tenants prior to the invoice. Going forward, our lease management system (Propworks) will be instrumental in tracking and maintaining contract compliance. In addition, processes will be developed to ensure that new locations will not be allowed to open without the required security deposits, franchise agreements and other lease requirements.
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## C. ONE-TIME OR ON-DEMAND DELIVERABLES

### Franchise Agreement

9.	<b>Finding</b>	The Concessionaire did not submit their Franchise Agreement.
	<b>Recommendation</b>	As required by Section 2.6.A of the Contract, the Concessionaire should submit their Franchise Agreement.
	<b>Risk Rating</b>	Low

Section 2.6.A of the Contract requires that if the Concessionaire operates under a license or franchise agreement, a copy of said agreement must be provided to the Authority's CEO within 60 days of Agreement execution. All license and franchise agreements are subject to the CEO's approval. Batter Boys, Inc. represents that it operates a franchise of Dunkin' Donuts Brands Restaurants in Exhibit I of the Contract (the tenant-submitted Airport Tenant Concept Plan), and the franchise agreement was required to have been submitted by March 24, 2020.

Upon inquiry with the Authority, we learned that no franchise agreements have been received. The Authority should request that a copy of the franchise agreement be submitted.

<b>Authority Response</b>	The Pasley Group will work with RevM to formally request the Franchise Agreements by December 15, 2024. In addition, processes will be developed to ensure that new locations will not be allowed to open without the required security deposits, franchise agreements and other lease requirements.
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### Health Inspections

10.	<b>Finding</b>	The Concessionaire has not provided copies of Health Inspection Reports.
	<b>Recommendation</b>	As required by Section B.16 of Contract Exhibit H, the Concessionaire should submit a copy of Health Inspections within five days of the inspection and notify the CEO immediately upon failing an inspection. Upon submission of each Monthly Report, the OIAA should ask the Concessionaire if any Health Inspection Reports have been received for the month to ensure lease compliance. The Concessionaire's response should be recorded for recordkeeping purposes.
	<b>Risk Rating</b>	High

Section B.6 of Contract Exhibit H requires the Concessionaire to respond to all written complaints in writing, within 48 hours of receipt, and to provide a copy of the complaints and responses to the OIAA CEO. Upon inquiry, OIAA's Director of Revenue Strategies stated they were unaware of any such complaints; however, it is unclear whether the Concessionaire is not forwarding them as required or if there simply have not been any complaints.





**Authority Response**

All concession's F&B locations received an EHS Inspection in August 2024. Members of the Concessions Team escorted the inspectors. Prior to this, it is uncertain when the last EHS Inspections occurred. Submitting EHS Inspection results and complaints were addressed at the Sept 2024 Concessions Partnering Meeting and individual Business meetings. This topic will be a standard for all Partnering and business meetings going forward. Additional processes will be developed to ensure adherence to this provision.

## Written Complaints

11.	<b>Finding</b>	The Concessionaire has not provided copies of written complaints and responses; however, it is unclear whether the Concessionaire is not forwarding them as required or whether there simply have not been any complaints.
	<b>Recommendation</b>	As required by Section B.6 of the Contract Exhibit H, the Concessionaire should respond in writing to all written complaints, and provide copies of the written complaint and response to OIAA's CEO within 48 hours. Upon submission of each Monthly Report, the OIAA should ask the Concessionaire if any complaints have been received for the month to ensure lease compliance. The Concessionaire's response should be recorded for recordkeeping purposes.
	<b>Risk Rating</b>	Medium

Section B.6 of Contract Exhibit H requires the Concessionaire to respond to all written complaints in writing, within 48 hours of receipt, and to provide a copy of the complaints and responses to the OIAA CEO. Upon inquiry, OIAA's Director of Revenue Strategies stated they were unaware of any such complaints; however, it is unclear whether the Concessionaire is not forwarding them as required or if there simply have not been any complaints.

**Authority Response**

Submitting written customer complaints and responses were addressed at the Sept 2024 Concessions Partnering Meeting and individual Business meetings. This topic will be a standard for all Partnering and business meetings going forward. Additional processes will be developed to ensure adherence to this provision.

## APPENDIX: REVIEWED DOCUMENTS LIST

Date	Document
04/03/2023	Batter Boys – Lease Term Letter T4
01/30/2020	BatterBoysIncT4_ONT-20-10010 (Contract for Terminal 4)
04/04/2023	Batter Boys – 04 April 2023 Utility Billing
07/01/2023	Batter Boys – 2022–2023 Financials Ontario (Financial Statement – Terminal 4 – Year End 7/1/2023)
07/01/2022	Batter Boys, Inc. – OIAA Statement of Revenues & Expenses (Financial Statement – Terminal 4 – Year End 7/1/2022)
04/02/2023	Batter Boys March 2023 Dunkin’ Sales
05/31/2023	Batter Boys, Inc. – CINV – 12644 – March – April 2023 Utilities
3/31/2023	Batter Boys, Inc. – CINV – 12644 – March 2023 Sales (Note: the actual invoice number is CINV-12113 upon review)

